

PRIVATE INVESTMENT AND TRADE OPPORTUNITIES - PHILIPPINES

USAID Project 492-0449

End-of-Project Evaluation

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Presented to:

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ACRONYMS

AID	Agency for International Development
AMCHAM	American Chamber of Commerce of the Philippines
ASEAN	Association of Southeast Asian Nations
AUSBC	ASEAN-U.S. Business Council
BETP	Bureau of Export Trade Promotion
BOI	Board of Investments
BRETA	BOI-Registered Export Traders Association
CBI	Center for Promotion of Imports for Developing Countries
CCCI	Cebu Chamber of Commerce and Industry
CFIP	Chamber of Furniture Industries of the Philippines
CIPC	Cebu Investment Promotion Center
CIPP	Cebu Investment Promotion Program
CITEM	Center for International Trade Exhibits and Missions
COPE	Confederation of Philippine Exporters
CSO	Contracts Support Office - USAID
CTIS	Computerized Trade Information System
DBP	Development Bank of the Philippines
DCCCII	Davao City Chamber of Commerce and Industry Inc.
DECTA	Developing Country Trade Agency
DIPC	Davao Investment Promotion Center
DIPP	Davao Investment Promotion Program
DTI	Department of Trade and Industry
EOPS	End-of-project status
EPZ	Export Processing Zone
FAME	Fashion Accessories Manufacturers and Exporters
GDP	Gross Domestic Product
GNP	Gross National Product
GOP	Government of the Philippines
GTZ	German Technical Assistance Agency
JICA	Japanese International Cooperation Agency
LC	Letter of Credit
LOP	Life of Project
MEPZ	Mactan Export Processing Zone
MIAP	Metalworking Industry Association of the Philippines
NCR	National Capital Region
NEDA	National Economic Development Authority
NICS	Newly Industrializing Countries
NMDB	Northern Mindanao Development Bank
NPM	National Project Manager
OFM	Office of Financial Management - USAID
PACD	Project Authorization Completion Date
PCCI	Philippine Chamber of Commerce and Industry

PCSII	Philippine Chamber of Stonecraft Industries
PESO	Private Enterprise Support Office - USAID
PHILEXPORT	Philippine Exporters Foundation
PIC	Project Implementation Committee
PITO - ASEAN	Private Investments and Trade Opportunities - ASEAN
PITO-P	Private Investments and Trade Opportunities - Philippines
PRAF	Policy Research and Advocacy Facility
RPM	Regional Project Manager
SME	Small and Medium-Sized Enterprise
T&IP	Trade and Investment Promotion
TA	Technical Assistance
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USFCS	United States Foreign Commercial Services

EXECUTIVE SUMMARY

PROJECT BACKGROUND

The Private Enterprise Support Office (PESO) of the United States Agency for International Development (USAID) engaged Sycip Gorres Velayo and Co. (SGV & Co.) to undertake an end-of-project (EOP) evaluation of the Private Investment and Trade Opportunities-Philippines (PITO-P) granted to and implemented by the Philippine Exporters Confederation, Inc. (PHILEXPORT).

USAID/Philippines launched on September 17, 1990 the PITO-P. The project goal was to contribute to the long-term economic growth in the Philippines through the development of private sector trade and investment. The project purpose was to establish a mechanism to increase trade and investment activity in the Philippines through promotional services and assistance, training and technical assistance, and policy analysis and reform.

The purpose of this EOP evaluation of the PITO-P was to assess the project performance after four years of implementation. The evaluation team was provided with a set of questions specifically designed to answer the essential requirements of the EOP evaluation.

EVALUATION FINDINGS AND RECOMMENDATIONS

The findings and recommendations of this EOP evaluation were the following:

PITO-P Project Design

PITO-P was an ambitious and innovative trade and investment promotion (T&IP) project of the Private Enterprise Support Office of the USAID (PESO/USAID). PITO-P was a private sector approach to the delivery of T&IP services, with the private non-stock foundation PHILEXPORT as the project grantee and implementing entity. PITO-P covered a wide range of T&IP activities including the trade transaction brokerage and the computerized trade information service (CTIS), which were considered innovative services at that time because of their *fee-for-service* feature. PITO-P introduced the *cost-sharing* and *project reflow* features into the project's trade and investment promotion and the training and technical assistance components. PITO-P established the Project Implementation Committee and the Budget Committee as mechanisms to ensure coordinated and smooth project implementation.

The PITO-P design was appropriate for the achievement of its stated objectives. The project design adopted a private sector approach and incorporated features like the *fee-for-service*, *cost-sharing* and *project reflows* that directly contributed or enhanced the conditions for achieving the development of private sector trade and investment in the country.

PHILEXPORT as Project Grantee and Implementing Agency

In retrospect, PHILEXPORT was an appropriate selection as the project grantee and implementing agency. PHILEXPORT became the single biggest aggragation of exporters, the primary beneficiaries of the project. PHILEXPORT further enhanced its strengths in services offered, financial resources, networking and management. PHILEXPORT evolved into a national trade organization and, more importantly, became the advocate of exporters in the country.

PITO-P came at a very opportune time, benefiting PHILEXPORT in its transition towards becoming a national trade organization. PITO-P benefited PHILEXPORT through: the expanded financial and technical resources needed for export services; the expanded network of collaborating agencies; and the capability-building in the management of donor-assisted projects. Moreover, PITO-P directly assisted PHILEXPORT members in the development of their production capabilities and markets for their products, dissemination of information on current policy issues and developments, and encouraging the capability-building of industry associations. The cumulative successes of PITO-P activities contributed to the growth of PHILEXPORT membership and to the organization's development as advocate of exporters in the country. At the end of PITO-P, PHILEXPORT became a highly visible business and service organization with stature equaling that of the Philippine Chamber of Commerce and Industry (PCCI).

PITO-P's policy facility had the greatest impact on PHILEXPORT's advocacy role. PITO-P's policy facility activities *i.e.*, the *PITO-P Policy Research and Advocacy Agenda* and the *PHILEXPORT Policy Research and Advocacy Facility*, among others, contributed in developing PHILEXPORT's capability in managing policy studies and advocating for the development of the export sector.

The PITO-P Project Organization

Besides PHILEXPORT, the major elements of PITO-P project implementation were: the Project Implementation Committee, the Project Management, the Budget Committee and the PESO/USAID offices.

Project Implementation Committee (PIC). The composition of PIC was appropriate and beneficial to the achievement of project objectives. The committee was composed of five (5) members, namely the representative of PHILEXPORT as project grantee and implementing agency, the representatives of PCCI and the Bureau of Export Trade Promotion (BETP) as primary collaborating institutions, and the representatives of the US Foreign Commercial Services (USFCS) and the ASEAN-US Business Council (AUSBC) as affiliate promotion agencies. This composition provided representation from the trade and investment groups, the private sector and public sectors, and related promotion groups. Also, due to the regular monthly meetings and the detailed documentation of the minutes of these meetings, the PIC kept close collaboration among the participating organizations.

PITO-P Staffing and Management. PITO-P was appropriately staffed and managed. Project management was carried out by Filipinos, facilitating project implementation as well as developing local expertise and competencies in T&IP management. Key personnel were qualified in terms of academic background and previous experiences. Outside of project management, PITO-P and proponents contracted the services of outside consultants for the training and technical assistance and policy facility activities.

The were some areas of concern in project staffing and management. The project staffing was not proportionate to the relative service requirements of the three regional areas. Also, project implementation required much higher level of efforts from the project staff than originally thought of in the Project Paper. Hence, the project staff carried heavy workloads, had frequent overtime work and even carried out incompatible functions.

Budget Committee. The Budget Committee was comprised of the PHILEXPORT Chairman and Chief Operating Officer, the PITO-P National Project Manager and the PESO representatives. The Budget Committee was useful in ensuring proper disbursement of project funds and rate of disbursement as PITO-P approached the PACD. It monitored the rate at which committed funds were utilized. It enabled the project management to make decisions on the disposition or utilization of slow-moving funding allocations. It reallocated the budget among projects from those that were not likely to prosper to those that utilized the grant funds and brought significant benefits to target beneficiaries.

PESO/USAID. Based on the terms of the Cooperative Agreement, PESO had overall responsibility for monitoring the project implementation. In the PIC, PESO officers actively participated in the deliberations and advised the committee members on the various requirements of the Cooperative Agreement. Their active involvement in the deliberations and subsequent concurrence with the committee resolutions ensured that PITO-P activities were within the terms of the Cooperative Agreement. They provided continuity of perspective in the treatment of issues as they were represented by the same individuals throughout the project implementation. PESO's involvement in the project set the standard for the other collaborating organizations.

Aside from their involvement in the PIC, the PESO officers also participated in the selection of key project personnel, held weekly meetings with the PITO-P National Project Manager, and facilitated the liaison between PHILEXPORT/PITO-P offices and the relevant USAID offices such as the Office of Financial Management (OFM) and the Contracts Support Office (CSO). In general, the PITO-P project management found USAID project management and oversight adequate and effective.

PITO-P Project Implementation

Among the features of project implementation were the following.

Fund Allocation. PITO-P funds allocation was market driven. Project funds were allocated according to the perceived market needs for T&IP services and the market's capacity to utilize the grant funds. At the start of the project, the trade brokering and information service components had larger fund allocations because these innovations were perceived to have the strongest impact to target beneficiaries. When market developments indicated that trade brokering and information services could not take off successfully, these components were discontinued and the funds were reallocated to the policy analysis and trade and technical assistance components.

Market driven fund allocation was more evident at the regional level. The Regional Service Centers focused project assistance to components and activities that addressed the opportunities and challenges faced by the respective regions. Thus, NCR assistance concentrated on policy research and advocacy, Cebu on trade and technical assistance, and Davao on investment promotion.

Project Areas. In retrospect, the choice of the three regional centers was appropriate for PITO-P implementation. NCR and the cities of Cebu and Davao were selected for project implementation because they represented the most significant trading centers and had the potentials for significant increases in trade and investment given their natural endowments and infrastructure. The three project areas had different levels of resource endowments, infrastructure support, industrial capability and business climate. Hence, the three areas demonstrated different T&IP needs and strategies.

Revenue Streams. PITO-P generated revenues for PHILEXPORT through project reflows, interest earnings on accumulated project reflows and revenues from the GTEB-EDI operations. The project reflows came from participant fees in the training and technical assistance projects, sales of trade and investment promotion materials, and sales of reports and materials produced through the policy facility. Other potential revenue streams were the trade brokering and the CTIS operations which were discontinued before the end of the project.

PITO-P used project reflows for T&IP and related activities that were outside the terms of Cooperative Agreement. The utilization of the project reflows were subject to the approval of the PIC during the course of the project.

Project Implementation and Financial Monitoring. PITO-P evolved operational procedures that were appropriate and efficient. The financial records *i.e.*, general ledgers, disbursement books, reconciliation books and financial reports, were adequately maintained within the PITO-P National and Regional Service Centers. However, there were cases of non-compliance in accounting and financial procedures in a regional service center. As a result, a non-federal audit reported questionable transactions at the said service center.

Another area of concern was project implementation monitoring particularly the management information system to ensure effective and efficient project management. The *Project Implementation and Financial Monitoring* system implemented in the third year of the project focused on financial monitoring. An effective project monitoring system tracking the progress of training and technical assistance was not fully implemented. A monitoring system similar to the Benefit-Matrix-Points of the trade brokerage component would have been very helpful to project management in monitoring and assessing the beneficiary impact of the training and technical assistance component.

PITO-P Performance Results

PITO-P substantially met the nine (9) *output* and *purpose* targets set by the Project's Revised Logical Framework. With respect to the *output* targets, PITO-P exceeded the target number of policy studies and the target number of technical assistance and training beneficiaries. With respect to *purpose* targets, PITO-P contributed to an improved trade and investment policy environment and enabled PHILEXPORT to set the mechanism to institutionalize training and technical assistance services. Table 6-1 presents a summary of the actual and planned project outputs and purpose.

The Cebu and Davao regional service centers closed operations by PACD. However, the Cebu and Davao Investment Promotion Centers (CIPC and DIPC) were established which currently offer some of the services provided by the PITO-P service centers.

PITO-P trade brokers facilitated \$ 3.5 million in incremental exports for the first year of operations compared to the \$ 12 million target for the period. While the PITO-P services also induced exports, the level of incremental exports could not be established from the available information.

Similarly, there was strong investor interest generated in Cebu and Davao as evidenced by the new BOI-registered projects in Cebu, the investments and other business deals facilitated by the Mindanao-East ASEAN Convention for Trade and Investment, and

the strong support of the private sector to the establishment of the CIPC and DIPC. However, due to the many factors that affect investment decisions, the level of investment that was directly facilitated or attributable to PITO-P could not be firmly established.

The *Project Monitoring and Evaluation Reports* prepared by Innovative Consultants Corps of the Philippines Inc. (ICON) and the Economic Research Group (ERG) indicated that PITO-P activities generally served and benefited SMEs and exporters, including those owned and operated by women.

However, the project could have given attention too to other beneficiaries namely: SMEs and exporters who were not PHILEXPORT members, SME- and exporter members of weak industry associations, and SMEs and exporters based in other Mindanao cities.

The issues identified for policy analysis and advocacy efforts were appropriate because they were consistent with the PITO-P's overall objective of promoting the development of private sector trade and investment in the country. The identified issues addressed pressing concerns that considerably bear on the current and long-term competitiveness of business and export firms in the global market. The identified issues could also be resolved by policy measures and reforms that were doable by relevant GOP agencies.

The PITO-P policy component put together the advocates, policy makers and business leaders in constant dialogue through the regular fora and conferences on export development. PITO-P policy component enabled the conduct and assembly of policy studies that could be used to support advocacy efforts on export development.

PITO-P evolved a pro-active approach of identifying issues through a consultation process with the business community, the GOP agencies and the academe. Later on, this was complemented by the PHILEXPORT Policy Research and Advocacy Facility, a constituent-based quick response mechanism that addressed immediate national, regional and sectoral concerns facing the business and export communities.

Through the PITO-P policy facility, PHILEXPORT significantly enhanced its influence on GOP policy- and decision-makers to advocate for policy reforms on export development. Through PITO-P, PHILEXPORT has been able to keep consciousness on policy concerns alive.

The policy facility had the strongest impact on the development of PHILEXPORT as the national trade organization. As a member of the PIC and the Project Evaluation Team, PHILEXPORT participated in developing and evaluating various topics for policy research and advocacy. Through the Policy Research and Advocacy Facility, PHILEXPORT managed policy research and advocacy activities that addressed national, regional and sectoral concerns of Philippine exporters. The policy facility enabled

PHILEXPORT to become the advocate of the country's exporters, which is a major goal of the organization.

PHILEXPORT Informs was one of the activities that received PITO-P funding. *PHILEXPORT Informs* benefited the organization and its members by informing them about issues affecting business and exports. It also served as a channel for the dissemination to member-firms of the results of policy studies conducted under PITO-P's policy component.

The CTIS project implementation focused too much on the technology aspect of the project, sidelining the ultimate objective of providing up-to-date and reliable trade- and investment-related information to PHILEXPORT members and other prospective users. Instead of the state-of-the-art network service, the CTIS project could have been carried out in phases starting with the compilation and dissemination of basic business and economic information in hard copies. At the same time, there must be an aggressive promotion and outreach program to sell the service.

The decisions to abort the implementation of the trade brokerage project in Manila and Davao after the first year due to non-delivery of agreed-upon outputs were prudent and timely given the need to minimize losses. Although the Cebu brokerage performed relatively well, the project's management deemed it proper not to renew the contract after the second year.

The project could have been gained greater results if, instead of outright grants, PITO-P (through PHILEXPORT) had entered into joint ventures with qualified firms to do the trade brokerage activities. These would have enabled the partner-firms to have a stake in the project and encouraged them to work for its success by delivering on what were expected of it.

Principal Accomplishments and Shortcomings of Project Implementation

PITO-P project implementation had some principal accomplishments. It contributed to the development of local capabilities and expertise in managing donor-assisted T&IP projects. The policy component contributed to the development of PHILEXPORT as the advocate of exporters in the country. Project implementation was adequately responsive and flexible on addressing the needs of the project areas. The project was able to engage the PIC effectively and productively. Further, the project effectively utilized the market mechanism in the delivery of T&IP services.

The project, however, also had some shortcomings in its implementation. An initial diagnosis and needs assessment at the project areas could have firmed up the sectoral priorities and roles of participating organizations at the different regions. Incorporating capability-building programs for project proponents could have enhanced their participation and absorption of projects. An efficient and effective project monitoring

and evaluation system (similar to that carried out for the trade brokerage) could have been implemented for the training and technical assistance component and possibly for the trade and investment component to objectively measure the actual progress of the project *vis-a-vis* expected targets. In Davao, the project was not very effective in its outreach and communication efforts in the sectors outside of target beneficiaries. Interviews bared that some sectors of the community were not fully aware of PITO-P activities

Lessons Learned from Project Implementation

Several lessons have been learned from PITO-P and may be applied to future project design efforts.

- a. An initial diagnostic study of the project areas should be carried out to set or firm up the needs, priorities and directions of the project. The diagnostic exercise would also identify or firm up the roles to be played by relevant project participants.
- b. The issue of building up the institutional capability of target proponents of training and technical assistance projects should be addressed by the project to enable wider and more effective participation by the target proponents in these projects.
- c. Project implementation should ensure adequate outreach and communication efforts to prospective participants and the relevant groups. The outreach and communication program must present clearly the objectives, scope of assistance and target beneficiaries of the project.
- d. Physical integration of the project management and project grantee would enhance interaction among the staff and possible integration of the activities of both parties.
- e. The project had several substantial T&IP elements, including the innovative trade brokerage and computerized trade information service. This situation made project implementation relatively complicated and difficult. Implementing some of the components, particularly the innovative ones, as separate projects could have focused resources and efforts and improved the success rate of these components. However, it would have been bureaucratically complicated for USAID to have separate project designs and grant agreements.
- f. The project tapped a private sector organization as grantee and implementing entity as opposed to a government agency. This allowed the project to benefit from the flexibility offered by a private organization which does not have to contend with the rules and regulations guiding government agency operations.

- g. The project tapped and networked with local resources for project implementation, contributing to the development of local expertise and competencies in T&IP project management.
- h. The PHILEXPORT PRAF allowed PHILEXPORT adequate elbow room and flexibility in undertaking policy research and advocacy activities. Project grantees are usually more enthusiastic when given the flexibility to undertake activities on their own.
- i. Close coordination among participating organizations, including government agencies, was a crucial factor in project implementation. At least, the different sectors must be clear on the roles they have to play in the project.
- i. The *cost-sharing* and *project reflows* introduced the project proponents and the beneficiaries to a market mechanism in the delivery of T&IP services. As project proponents, the industry associations must cover increasing cost-share and remit decreasing project reflows. This process must eventually lead to full cost recovery or fee-for service.
- j. A regular internal project monitoring and evaluation system would have enabled project management to see the progress of the project activities with respect to the various project objectives. There would be a need to set appropriate indicators for project monitoring.

Project Components for Continuation after PACD

The policy research and advocacy component should be continued after the Project Authorized Completion Date (PACD). The policy facility had the greatest potential impact on trade and investment. Policy advocacy efforts had the momentum because the strong economic performance in 1994 came at the heels of a series of economic policy reforms. Yet, a number of important trade- and investment-related policy reforms still need to be resolved to sustain the current gains in economic growth.

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 PROJECT BACKGROUND

The Private Enterprise Support Office (PESO) of the United States Agency for International Development (USAID) engaged Sycip Gorres Velayo and Co. (SGV & CO.) to undertake an end-of-project (EOP) evaluation of the Private Investment and Trade Opportunities-Philippines (PITO-P) granted to and implemented by the Philippine Exporters Confederation, Inc. (PHILEXPORT).

USAID/Philippines launched the PITO-P project on September 17, 1990. USAID/Philippines signed a Cooperative Agreement with the PHILEXPORT for the implementation of the PITO-P project. The project purpose was to establish a mechanism to increase trade and investment activity in the Philippines through promotional services and assistance, training and technical assistance, and policy analysis and reform. The project goal was to contribute to the long-term economic growth in the Philippines through the development of private sector trade and investment.

The four components of PITO-P each addressed a need that was not being adequately met by existing programs and institutions at the start of the project.

Component one consisted of trade and investment promotion activities. These included, inter alia: the preparation and dissemination of promotional materials; the organization and implementation of promotional workshops/conferences/symposia; and a network of specialized trade and investment brokering services available to private enterprises on a regional basis.

Component two provided funding for the preparation of policy analyses and advocacy efforts directed toward resolving substantive policy and regulatory constraints facing Philippine traders and investors.

Component three consisted of targeted training and technical assistance to improve the productivity of Philippine traders, with a special focus on assistance for the development of productive commercial ventures between the Philippines and the United States.

Component four provided funding for the development and commercialization of a computerized trade and investment information service.

1.2 PURPOSE AND SCOPE OF EVALUATION

The purpose of this EOP evaluation of the PITO-P project was to assess its performance after four years of implementation. The objectives of the evaluation were to:

1. to determine the effectiveness of the implementation approach generally, and on a component-specific basis;
2. to assess project impacts;
3. to assess the achievement of purpose-level indicators;
4. to determine the adequacy of grantee and USAID project management and oversight;
5. to assess and document factors which account for the project's relative successes or failures;
6. to analyze project elements and activities that the grantee may pursue and continue beyond the Project authorized completion date (PACD);
7. to document lessons learned for the design of future trade and investment promotion activities in the Philippines and elsewhere.

The evaluation team was provided with a set of questions specifically designed to answer the essential requirements of the EOP evaluation. The guide questions used in the evaluation are shown in Annex A.

1.3 EVALUATION METHODOLOGY

To meet the purpose of this EOP evaluation, the evaluation team did the following:

- reviewed the literature on trade and investment enhancing efforts in developing countries;
- reviewed all relevant project documents and related materials;
- met with project executives and personnel, the proponents and beneficiaries of project activities and other parties that cooperated or interacted with the project; and
- prepared a report assessing the implementation of the project during the four years of its implementation.

The list of persons interviewed by the evaluation team is shown in Annex B.

1.4 EVALUATION TEAM

The evaluation team was composed of the following:

Gerard B. Sanvictores - Project director;
Roberto H. Concepcion - Team leader; and
Alexander E. Dacanay - Team member.

1.5 ACKNOWLEDGMENTS AND STUDY LIMITATIONS

This EOP evaluation of PITO-P was in compliance with project requirements and was made possible through the support provided by the PESO/USAID.

The evaluation team acknowledges the support and cooperation of the management and staff of the GOP agencies concerned, PESO/USAID, PHILEXPORT, PITO-P and its regional service centers, and various industry associations during the course of the EOP evaluation.

The views, expressions and opinions contained in this report are those of the authors and are not intended as statements of policy of the USAID or the authors' parent institution.

CHAPTER TWO

PITO-P PROJECT DESIGN

2.1 PROJECT DESIGN FEATURES

PITO-P had design features that can be compared or contrasted with other US Agency for International Development (USAID) or other donor efforts to promote trade and investment in developing countries. Among the PITO-P design features were the following:

- a. *PITO-P was implemented through a private sector organization instead of a government agency.*

PITO-P was implemented by and through the PHILEXPORT, a private sector organization. USAID and other major donor agencies like the Center for Promotion of Imports from Developing Countries (CBI) of the Netherlands, the Developing Country Trade Agency (DeCTA) of the UK, and the Irish Export Board of Ireland adopted this approach of giving assistance to and through the private sector organizations because the experience in many countries indicated that public sector agencies had ineffective delivery mechanisms in export promotion services (Hogan, 1991).

However, Asian NICs such as South Korea, Singapore and Taiwan have demonstrated that trade and investment promotion (T&IP) programs that are implemented by government agencies can be effective as well. In the Philippines, there have been good T&IP programs implemented through the Government of the Philippines (GOP). Examples include the Philippine-German Export Development Project (Phil-GED) for instance which is a joint effort of the German Agency for Technical Cooperation (GTZ) and the Bureau of Export Trade Promotion (BETP) of the Department of Trade and Investment (DTI). The European Community (EC) coordinated closely with the DTI-attached agencies Center for International Trade Exhibits and Missions (CITEM) and BETP in projects intended to help strengthen Philippine export capabilities in markets around the world. Going into the 1990s, however, the DTI has recognized the private sector approach and initiated measures for the establishment of a private sector export development organization.

- b. *Project Implementation Committee.*

The Project Implementation Committee (PIC) is a standard feature of the programs assisted by the USAID Private Enterprise Support Office (PESO). PITO-P's PIC served as the project's policy-making and governing body. The PIC provided advice and consent on management and technical recommendations of

the project's management. PITO-P put together private and public sector organizations in the PIC for effective coordination and monitoring of project implementation. The participation of the US Foreign Commercial Service (USFCS) ensured balance in the treatment by the project of exports promotion and trade promotion in general. BETP's involvement facilitated coordination of the project with the relevant government agencies in engaged in T&IP.

c. *PITO-P was implemented in the NCR and in the cities of Cebu and Davao.*

Project implementation in two regional cities outside the NCR was in line with *decentralization* which was consistent with the GOP strategy of dispersing economic opportunities to the regions and with the USAID strategy at the start of the project. The Regional Project Managers (RPMs) of Cebu and Davao welcomed this feature because previous T&IP projects were focused in the NCR and rarely impacted the regions.

The project's management resisted the pressure for the project to cover the whole country and, instead, limited the project's implementation to the NCR, Cebu and Davao areas for greater impact. As discussed later, choice of these three areas was deemed appropriate as the represented strong potentials for the development in those areas of private sector trade and investment.

d. *PITO-P supported a range of T&IP activities in three project areas.*

PITO-P-supported activities included advocacy fora, data banking, library acquisitions, production of promotion materials, participation in local and international trade fairs, participation in local and international conventions, conduct of policy studies, selling missions, trade brokerage, training seminars and workshops, and video production, among others.

By contrast, other donor efforts focused on specific T&IP activities. The Phil-GED for instance, covers only trade promotion activities while a separate project, the Philippine-German Business Cooperation Office (BCO), undertakes the investment promotion side. The Japan External Trade Organization (JETRO) supports only trade promotion projects. The UNDP supported BETP's computer-assisted information network and services project. In recent years, PHILEXPORT itself is a recipient of development assistance like: the technical cooperation with CBI on furniture, jewelry, software and wooden toys; the packaging industry project with the European Community (EC); and the BC-NET business-matching program with the European Chamber of Commerce in the Philippines (ECCP). These projects constituted separate activities under the PITO-P.

The design of the PITO-P was complex as compared to other donor-assisted projects. PITO-P covered many T&IP elements, including innovative components like the trade transaction brokerage and CTIS. PITO-P was implemented in three

different project areas. It also incorporated mechanisms like *cost-sharing* and *fee-for-service*. Project implementation was relatively difficult considering the significant amount of resources and effort needed to oversee and monitor the project activities.

The project's implementation at the regional level was less complicated than originally intended in the project design because the RPMs selected activities that were perceived appropriate to the needs, resources and opportunities facing their respective areas. As part of a prudent strategy, the RPMs concentrated project implementation on the identified needs of their areas, thus narrowing down the mix of PITO-P activities implemented in the regions. As a result, Cebu focused on training and technical assistance, Davao on trade and investment promotion and NCR on policy research and advocacy.

e. PITO-P was implemented by Filipino managers and staff.

Local managers and staff facilitated the development, implementation and monitoring of PITO-P activities as they staff were familiar with local culture and business practices. On the other hand, most of the other donor-assisted T&IP activities, especially those in training and technical assistance, are managed by expatriate project managers.

Through the engagement of local talents, PITO-P also enabled Filipino managers and staff to develop the expertise and competencies needed in the management of T&IP activities. After the project, these personnel were eventually tapped by other organizations to engage in T&IP projects, *i.e.*, the *PHILEXPORT Policy Research and Advocacy Facility* (PRAF) and the *Cebu and Davao Investment Promotion Programs* (CIPP and DIPP).

PITO-P had some innovative or unique features:

a. Grantee-led Policy Component.

The *PHILEXPORT* PRAF enabled *PHILEXPORT* and its constituents to initiate and undertake their own policy studies and advocacy activities. This was the first time that a donor-assisted policy program allowed the local counterparts to carry out the activities by themselves. The PRAF complemented the PITO-P managed policy research and advocacy efforts and, at the same time, enabled *PHILEXPORT* to develop its own network for policy advocacy work and set up a quick-response mechanism to address policy issues affecting exporters.

b. Trade Transaction Brokerage.

Trade transaction brokerage was an innovative feature of PITO-P's trade and investment promotion component. It was the first time in the Philippines that a

donor-assisted T&IP program had this feature. Trade brokers selected for each of the three regions assisted local firms in finding business opportunities in the export markets on a *fee-for-service* basis. They also provided other forms of assistance to exporters. The Cebu-based BDG-Shemberg, for instance, provided other export promotion services like facilitating and funding trade missions and trade fairs.

PITO-P discontinued trade brokerage operations in NCR and Davao after the first year and in Cebu the following year. While trade brokerage failed to take off, the PITO-P experience demonstrated good potentials for trade brokerage services in the future.

c. *Computerized Trade Information System.*

In contrast to the current set of business, economic and trade statistics provided primarily by GOP agencies for free, PITO-P established a computerized trade information service with access to international and local sources of information, to provide accurate and timely information on trade, markets and related information to exporters, buyers, government and other trade/business organizations on a *fee-for-service* basis.

The CTIS failed to generate sufficient interest in the target markets because prospective clients were used to getting similar data for free from government agencies. Further, prospective users may have given market information secondary importance as compared to other hurdles that they have to address to be successful in exports, such as the availability of financing.

CTIS and the trade transaction brokerage were two novel T&IP services introduced by USAID to promote the development of private sector trade and investment. The two components illustrated USAID's strategy of granting funds to initiate novel projects rather than support limiting support to tried and tested activities which the private sector can carry out by themselves.

As novel PITO-P components, CTIS and trade transaction brokerage were managed properly. PITO-P adequately provided funding support and incentives to "*buy down the risks*" of private sector firms involved in CTIS and trade transaction brokerage. But when developments indicated they could not be sustained, the CTIS and trade transaction brokerage were discontinued by PITO-P even before the PACD. Though they failed to take off, CTIS and trade transaction brokerage introduced to local exporters the delivery of T&IP services on a *fee-or-service* basis. They also demonstrated potential revenue streams for future T&IP providers.

d. *Cost Sharing, Project Reflow and Fee-for-Service Features.*

We understand that *cost sharing* is widely practiced by T&IP agencies in developed countries especially in Western Europe and Australia. This practice is now being introduced to developing countries such as the Philippines.

PITO-P required proponents such as the industry associations to share in the cost of their proposed projects. The proponents covered their share of the cost either by their own funds or by charging fees to the participants or direct beneficiaries of the projects.

PITO-P had several purposes for *cost sharing*:

- *Cost sharing* indicated the importance of the proposed projects/activities to the proponents and beneficiaries. It screened out prospective proponents who wanted to avail themselves of grant funds but were not readily willing to shell out their own money. PITO-P gauged the seriousness of project proponents submitting proposals for funding by their willingness to share in part of the costs.
- It enabled proponents to appreciate the process of pricing specific T&IP activities, which is useful if proponents would undertake similar projects in the future. The level of cost sharing was determined partly by the proponent's ability to recover the cost share from the project beneficiaries.
- It encouraged project proponents to ensure that their T&IP services are of good quality.

PITO-P generated revenue streams for PHILEXPORT primarily in the form of reflows that came from the following:

- fees paid by participants in the various training and technical assistance projects supported by PITO-P;
- proceeds from the sale of T&IP materials produced with funding support from the project's promotions component; and
- proceeds from the sale of information materials and copies of reports produced with PITO-P funding support under the project's policy component; and

- toward the end of the project, fees paid by users of the pilot Electronic Data Interchange project that was jointly undertaken with the Garments and Textiles Export Board under the CTIS component.

Reflows were remitted directly to PITO-P where they were lodged in the cost-recovery account and deposited in a separate bank account. Based on the PITO-P project implementation and financial monitoring report as of September 30, 1994, total financial reflows engendered by the project amounted to P3.90 million.

A portion of the reflows was transferred to PHILEXPORT as the project grantee, and was invested in interest-earning marketable securities. Reflows served as a buffer of PHILEXPORT against disallowances that may arise in the future on account of funding provided to activities that may be found to be ineligible later on.

The remainder of the reflows was retained by PITO-P. Utilization of reflows retained with PITO-P also had to be authorized by the PIC. Reflows were used by PITO-P for activities that were outside of the terms of the Cooperative Agreement for the project between the USAID and PHILEXPORT. Hence, the reflows gave the PITO-P some latitude in supporting T&IP activities even outside the original terms of reference of the project.

Fee-for-service was a basic feature of the CTIS and trade brokerage components. It was a form of cost-sharing wherein the proponent shouldered the full cost of the T&IP service. It was applied in the CTIS and trade brokerage components where the ultimate beneficiaries, the individual firms, paid for the cost of the services.

d. Budget Committee.

The project established a Budget Committee toward the end of the project to strengthen financial monitoring and ensure proper disbursement and utilization of funds up to the end of the project.

2.2 CONTRIBUTION OF PROJECT DESIGN TO PROJECT OBJECTIVES

The project's design was appropriate for the achievement of its stated objectives. The project's design incorporated features that directly contributed or enhanced the conditions for achieving the development of private sector trade and investment activities.

- a. *PITO-P had a private sector-public sector mix, where the private sector had the lead role in the development of trade and investment activities.*

The development of private sector trade and investment activities need T&IP organizations to provide such support services as preparation of promotion materials, information dissemination, policy advocacy, trade fairs and conventions, trade and investment missions, among others.

The private sector-public sector mix in the PIC enabled the close collaboration among industry associations, service organizations, private sector firms and BETP in the development of private sector trade and investment. USAID, cognizant of the lead role of the private sector and the supporting role of the public sector, established a PIC composed of four private sector representatives and one BETP representative. The BETP contributed in the overall evaluation, selection and monitoring of T&IP activities. The private sector, through the PIC and the industry associations, participated in the development, evaluation and selection, implementation and monitoring of T&IP activities.

- b. *PITO-P covered areas outside of NCR and tapped Filipinos for project management.*

These features facilitated the implementation of PITO-P in the regions. Moreover, they enabled the development of local expertise and competencies in various T&IP activities in NCR and regional cities. Consequently, private sector organizations could undertake T&IP activities even after the PACD, making use of the technical and management techniques learned from the project. This is demonstrated by former PITO-P managers and staff who have been tapped by other organizations to engage in T&IP programs such as the PHILEXPORT PRAF and the Cebu and Davao Investment Promotion Programs (CIPP and DIPP).

- c. *PITO-P had a policy facility that enabled PHILEXPORT to develop the capability to initiate and undertake policy studies and advocacy activities.*

Many of the past problems of the Philippine economy stemmed from unresponsive and inconsistent commercial and economic policies. Even before PITO-P, there were studies prepared by research institutions such as the Center for Research and Communication and the Philippine Institute of Development Studies addressing

these policy issues. However, there was a lack of dissemination and advocacy efforts to push for the necessary reforms. PITO-P's policy component filled this gap by enabling PHILEXPORT to take a professional approach in addressing the policy issues and advocating for reforms in the export sector.

- d. *The "cost sharing" and "fee-for-service" features introduced pricing as a mechanism for the efficient delivery and provision of T&IP services.*

PITO-P introduced the concept of market-driven T&IP services. Introduction of the said concept is expected to contribute to the development of efficient and reliable providers of T&IP services from the private sector. More efficient and reliable T&IP services are, in turn, anticipated to foster the growth of trade and investments.

CHAPTER THREE

PHILEXPORT AS PROJECT GRANTEE AND IMPLEMENTING ENTITY

3.1 SELECTION OF PHILEXPORT

In retrospect, PHILEXPORT (formerly Philippine Exporters Foundation) was the appropriate selection as the project grantee and implementing agency of PITO-P. PHILEXPORT was selected based on its relative strengths in services offered, financial resources, networking and management. When it merged in 1991 with the Confederation of Philippine Exporters (COPE) which was also considered as a candidate for grantee and implementing entity, PHILEXPORT became the single biggest aggrupation of exporters, which were the target beneficiaries of the project. The merger further enhanced PHILEXPORT's strengths compared to the third organization considered, *i.e.*, the BOI-Registered Trade Associations (BRETA), at that time. PHILEXPORT also had the advantage of having the DTI Secretary as its ex-officio Chairman which ensured that PITO-P had access to the ear of government, specially for its policy research and advocacy component.

The congruence of objectives accounted materially for the success of PHILEXPORT and PITO-P in the area of export development, a major project component. Since the export development mission of PHILEXPORT dovetailed with the trade opportunities component of PITO-P, export development activities such as the PRAF, Information Dissemination Program and seminar-workshops on foreign exchange operations, patent protection, ISO 9000, *etc.* served the objectives of both the organization and the project. In this context, PHILEXPORT was an appropriate project grantee and implementing entity for the project.

The PCCI could have been an alternative organization that could have focused on investment or the "I" component of PITO-P. In hindsight, PHILEXPORT was a better choice as investments did not move during the first two years of the PITO-P due to the unfavorable economic and political environment prevailing in 1990-91. Moreover, PCCI's membership was not as homogeneous as the membership of PHILEXPORT. At that time, PCCI included exporters which espoused the development of competitiveness in the export markets as well as domestic manufacturers who were less inclined to opening up the local market for competition.

3.2 BENEFITS TO PHILEXPORT

PITO-P came at a very opportune time for PHILEXPORT. The project's implementation commenced at a time when exporters and the GOP recognized the need for a national trade organization to support the country's export-led development. PITO-P accelerated PHILEXPORT's transition towards becoming a national trade organization and achieving the country's export-led development. The 1991 merger of PHILEXPORT and COPE placed upon PHILEXPORT the task of establishing a national trade organization to represent exporters in policy dialogues with the government and to assist exporters in developing their markets and export capabilities. However, PHILEXPORT also faced challenges within and outside the organization *e.g.*, the depletion of the ranks of its senior management, low revenue generation from services, and soft export markets, that constrained it from fully mobilizing its organizational resources to fund and support its various activities.

Given the above setting, the PITO-P opened up several opportunities to PHILEXPORT as well as to its members. These included:

a. Expanded financial and technical resources needed for various activities.

PITO-P activities complemented and enhanced PHILEXPORT's activities, *i.e.*, *policy advocacy, information collection and dissemination, and training and technical assistance* to its member firms. The PHILEXPORT PRAF for instance, funded consultants that prepared policy studies and advised PHILEXPORT management on national, regional, and/or sectoral policy concerns of Philippine exporters.

b. Expanded network of collaborating agencies.

The PITO-P, through the PIC, provided PHILEXPORT access to a wider network of collaborating agencies, including, but not limited to, BETP and its affiliate DTI agencies, PCCI, AUSBC and USFCS. PHILEXPORT collaborated with PCCI in policy studies and advocacy efforts supporting broad economic reforms. The two organizations worked together in the policy studies *"Improving Access of Philippine Enterprises to Appropriate Technology"*, the *"Framework Plan for the Development of the Philippine Packaging Industry"*, and *"Enhancing the Investment Climate"* among others, and on the advocacy efforts which established the Export Development Council (EDC). PHILEXPORT worked with AUSBC in identifying and sourcing specialists for training and technical assistance activities.

c. *Capability-building in management of donor-assisted projects.*

In tapping local resources for PITO-P project management, PHILEXPORT developed local expertise and capability in managing the various aspects and activities of donor-assisted T&IP programs.

PITO-P also benefited directly PHILEXPORT member associations and firms through the following:

a. *Market development activities.*

PITO-P supported trade and investment promotion activities like the preparation of market promotion materials, trade fairs and missions, trade brokerage, and other export-related services that scan, develop and penetrate markets for the products and services of specific industry associations and member firms.

b. *Training and technical assistance.*

PITO-P supported training and technical assistance activities that developed the production capabilities and other competencies needed by local industries and firms to successfully operate in export markets.

c. *PHILEXPORT Informis.*

The PITO-P-assisted *PHILEXPORT Informis* provided member firms reports on national, regional and sectoral policy concerns of exporters and advised them on the advocacy efforts of PHILEXPORT.

d. *Capability-building in industry associations.*

PITO-P activities were implemented only through industry associations instead of being directly addressed to individual firms. This raised the consciousness of firms beyond individual interests and encouraged them to work collectively towards the common good of their respective industries. In the case of training and technical assistance in Cebu, the comprehensive program of activities formulated by the regional office there helped build up the organizational capabilities of the industry associations in developing and implementing T&IP activities for their member firms.

In sum, PITO-P benefited PHILEXPORT by accelerating its transition to a national trade organization, directly assisting member firms in the development of their production capabilities and markets for their products, informing member firms on current policy issues and developments, and capability-building in industry associations.

The cumulative successes of PITO-P-assisted PHILEXPORT contributed to the build-up of confidence of member firms and the business community in PHILEXPORT as a national trade organization. PHILEXPORT's membership grew from 465 before the PITO-P to over 1,700 by the end of the project in 1994. Further, PHILEXPORT currently has twelve (12) regional chapters and 34 industry associations representing 12 broad industry sectors. PHILEXPORT members account for 70 % of the country's total exports. More importantly, PHILEXPORT is recognized by member firms, the business community and the GOP as the advocate of exporters in the country.

3.3 PHILEXPORT'S EVOLUTION TO ADVOCATE OF EXPORTERS

The PITO-P was an ideal program which helped PHILEXPORT to accelerate its evolution as a national trade organization and, more importantly, as the advocate of the export sector. There were several factors and developments that marked PHILEXPORT's evolution during the course of PITO-P's implementation.

a. GOP recognition of the private sector approach.

Since the 1989 studies of UNDP and the World Bank on DTI, the GOP has recognized the private sector approach and initiated measures for the establishment of a private sector export development organization which would be responsible for the procurement and part delivery of commercially relevant services to its exporter members and the service firms supporting them. Thus, GOP supported and cooperated with PHILEXPORT in its evolution as a national trade organization.

b. Merger with COPE.

The merger with COPE in October 1991 established PHILEXPORT as the biggest umbrella organization of exporters in the country. While it initially faced difficulties, PHILEXPORT eventually gained strength in terms of more member firms and affiliated regional chapters. Its organizational strength, coupled with its selection as PITO-P grantee and implementing agency, could have accelerated the move towards the merger and the choice of PHILEXPORT as the surviving organization.

c. Move to new and bigger PICC office space.

PHILEXPORT moved to its new office at the Philippine International Convention Center (PICC). The new PHILEXPORT office was bigger and better equipped, and was close to other trade and industry organizations and the principal venue of international trade fairs in the country. PHILEXPORT's new location at the center of T&IP activities enabled it to avail of better service facilities, to have better access to other T&IP organizations, and to enhance and expand its service

capabilities. The PICC office enhanced PHILEXPORT's image as the national trade organization.

d. Management structure.

The PHILEXPORT-COPE merger resulted to drastic changes in the PHILEXPORT management, marked by the resignation of the president, the change of the chairman of the Board of Trustees and the resignation of other key officers. More importantly, cognizant of its new mandate in the exporting community, PHILEXPORT recruited an executive vice-president and chief operating officer for the full-time management of the operations and strategy implementation of the organization. It subsequently recruited key officers from PITO-P to strengthen its policy research and advocacy activities.

e. PRAF.

The PRAF enabled PHILEXPORT to conduct its own policy research and advocacy activities that addressed national, regional and sectoral concerns of Philippine exporters. With PRAF, PHILEXPORT developed a professional approach towards policy research and advocacy, and boosted its stature as the country's export advocate. Prior to PITO-P, PHILEXPORT only had a Business Development Officer who prepared speeches regarding policy issues and developments that affected the export sector.

f. Representation at the Export Development Council (EDC).

PHILEXPORT has a voice in the EDC which was established to institutionalize the dialogue between the private sector and the GOP for the development of the export sector. The EDC itself evolved from the Export and Investment Development Council (EIDC) partly because of the advocacy efforts of PHILEXPORT. PHILEXPORT also serves as the Technical Secretariat of the EDC. Considering the lack of resources of government, PHILEXPORT also supported the council's activities with PITO-P funds.

g. Organization skills.

As grantee and implementing agency of the Cooperative Agreement, PHILEXPORT was exposed to the development of internal control systems and other programs for monitoring and evaluating performance of a major effort such as PITO-P.

The overall impact of the project's policy component on PHILEXPORT is that PHILEXPORT as an organization representing the export sector was able to significantly enhance its influence on government to advocate policy reforms that bear on export development. Through PITO-P, PHILEXPORT was able to keep consciousness on policy

concerns alive. The policy facility gave PHILEXPORT a bigger role in the distillation of policy concerns and issues facing the export sector in the country and in bringing these to the attention of the policy makers in the government.

As a member of the PIC and the project evaluation team, the organization participated in developing and evaluating various topics for policy research and advocacy. Through the PRAF, PHILEXPORT managed policy research and advocacy activities that addressed national, regional and sectoral concerns of Philippine exporters.

PHILEXPORT relied on the services of outside consultants in the conduct of research for policy issues. The hiring of outside consultants was dictated by the lack of qualified personnel and institutional capability in the activity. PHILEXPORT did not have the wherewithal to support a permanent research staff working on substantive policy studies. At the same time, the hiring of consultants gave the policy research activities a measure of independence and objectivity which lent more credence to the outputs of the exercises such as the recommendations made for the adoption of specific policy measures.

At the end of PITO-P, PHILEXPORT had become a highly visible business and service organization with stature equaling that of the PCCI. Hardly a day passes when PHILEXPORT is not featured in the business pages of national and local daily newspapers. PHILEXPORT officers are also featured as resource persons and export advocates in television and radio fora tackling trade and investment issues.

Indeed, PHILEXPORT has positioned itself prominently within the universe of business associations. In a featured article, the business and financial magazine *The Economist* referred to PHILEXPORT as the powerful lobby group of "the new class of outward-looking small businessmen" supporting the President's liberalization program (February 1994).

CHAPTER FOUR

PITO-P PROJECT ORGANIZATION

4.1 PROJECT IMPLEMENTATION COMMITTEE

The PIC and its composition was appropriate and beneficial to the achievement of the project's objectives. The committee was comprised of five (5) members, namely the representative of PHILEXPORT as project grantee and implementing agency, the representatives of PCCI and BETP as primary collaborating institutions, and the representatives of AUSBC and USFCS as affiliate promotion agencies. This composition provided representation from trade and investment groups, the private sector and public sectors, and related T&IP organizations. The USFCS participation ensured balance between exports promotion and trade promotion by the project. The AUSBC representation enabled access to the network of T&IP service providers in ASEAN. The BETP involvement facilitated coordination with the relevant GOP agencies engaged in T&IP.

The broad sectoral representation enabled the PIC together with the PITO-P National and Regional Project Managers (PM and RPMs) to evaluate proposed T&IP activities from a wider perspective, *i.e.*, covering national, regional, functional and sectoral aspects. Also, on account of its regular monthly meetings and the detailed documentation of the minutes of these meetings, the PIC kept close collaboration among the organizations represented in the committee which enhanced the implementation of the project.

The PIC screened and monitored the implementation of PITO-P activities. It provided advice and consent on management and technical recommendations of the project management team. In retrospect, other collaborating organizations could have participated in the PIC to cover specialized areas of investment and trade, and, therefore, further enhanced the effective and efficient implementation of PITO-P activities. Examples of these additional collaborating organizations include the following:

- *Banking and financial institutions.* The PITO-P components addressed activities to improve the market and production concerns of local exporters and investors. As the availability of financing was another important concern of the private sector in trade and investments, this issue was also addressed by the project, particularly under the policy component. The presence in PITO-P's PIC of representatives from banks and financial institutions *e.g.*, the Central Bank, Development Bank of the Philippines or the Bankers Association of the Philippines could have enhanced the dialogue between the fund suppliers and the fund users, particularly the SMEs. To the extent that the time-bound PITO-P provided funding support to T&IP activities, the presence of banking and finance people in the PIC could have contributed in assessing options for financing T&IP services.

- *Board of Investments (BOI).* The presence of a BOI representative in the PIC could have given more attention to the investment component of PITO-P. The PIC had a BETP representative although the Project Paper actually called for a DTI representative to sit in the PIC to address both trade and investment opportunities. A system of alternating the DTI representation in the PIC between BETP and BOI would have allowed for a more balanced representation by DTI of the "I" and "T" components of PITO-P.
- *Other foreign investment and trade promotion organizations.* PITO-P activities also covered investment and trade opportunities in such markets as the EC, Japan and the East Asian countries. PITO-P could have improved its T&IP activities had the PIC included the representatives of such organizations like ECCP, the EC Delegation or JETRO. Their presence in the PIC could have enhanced the collaboration and complementation of T&IP activities among the donors and markets.
- *Institutes or organizations on SME development.* The SMEs were among the ultimate beneficiaries of PITO-P activities. The presence of an SME entrepreneur or a representative from an SME development institute or organization like the UP-Institute of Small Scale Industries could have enabled the PIC to assess the potential impact of T&IP activities on SMEs and identify measures to induce the SMEs to participate and benefit from the PITO-P activities.
- *Foreign Buyers Association of the Philippines (FOBAP).* FOBAP represents foreign buyers of local products. With their worldwide connections, FOBAP members could have facilitated the development of export markets, particularly in identifying and assessing competitive trends *i.e.*, sales, quality and pricing in specific product markets.

Also, with representatives from the large and reliable retailers, importers, distributors and mail order houses in the US, Canada, Europe and Asia, FOBAP could have assisted in determining and assessing more efficient and effective arrangements for the trade brokerage component of the project.

- *Advertising and promotion organization.* The PITO-P T&IP activities included, among others, the production of brochures, videos and the conduct of fairs, conventions and conferences. The presence of an advertising or promotions representative could have assisted the PIC in the assessment and implementation of PITO-P promotion activities.

In sum, the participation of other collaborating organizations could have expanded the project's network and covered other specialized areas of investment and trade for more effective and efficient project implementation. However, the inclusion of other collaborating organizations could have led to a relatively big PIC and to a diminution of its overall effectiveness. The level and extent of commitment demonstrated by the members of the PIC was one of the key success factors of PITO-P. A PIC with more than five (5) regular members may not have been as effective as it actually was.

The collective engagement of the PIC members, especially during the evaluation and selection of proponents and activities, considerably benefited the project. The PIC discussed proposals that met the 3Cs criteria - *complex, controversial and costly*. The diverse interests, specialization and expertise of the PIC members (and participants of the PIC meetings) enabled the rigorous screening of proposals and incorporation of changes or new concepts to enhance the efficient and effective implementation of the approved projects.

Interviews revealed that the active participation of personalities, resulting from their backgrounds, interests and experiences, more than their official positions in the collaborating organizations, made a difference during the PIC discussions. A better PIC could have been formed by inviting individuals who by virtue of their experiences, expertise and positions in the academic and/or business communities could contribute significantly to PIC deliberations. Considering that the level and extent of commitment were crucial success factors, the selected PIC members must be given tenures to enable the project to change PIC members who performed below expectations.

4.2 PROJECT STAFFING

There were mixed indications on the PITO-P staffing and management. On balance, the project staff managed to respond to the demands of the project.

Several factors may be cited as indications of appropriate project staffing, including the following:

- a. *The project was implemented by Filipino managers and staff.*

This was appropriate because it facilitated project implementation at the regions and enabled the development of local expertise and competencies in various T&IP activities in NCR and regions.

From an institutional standpoint, the project could have tapped PHILEXPORT staff for project management so the latter could continue some of the activities after the PACD. This would have institutionalize specific T&IP services in PHILEXPORT and its local chapters and subsequently, strengthen its development as an organization. This was partially achieved when PHILEXPORT absorbed

selected PITO-P staff to continue its policy facility activities. But in Cebu and Davao, former PITO-P staff were tapped by T&IP organizations other than the local PHILEXPORT offices.

In retrospect, PHILEXPORT was lacking in senior people for effective project management when PITO-P started in 1990. Providing on-the-job training to its senior people would definitely be helpful to PHILEXPORT. However, PITO-P had to undertake complex activities in a relatively short period of time. The training of PHILEXPORT people could slow down project implementation and adversely affect the specific project targets. Instead of tapping PHILEXPORT staff, PITO-P recruited qualified managers from outside so it could "*hit the ground running*" and achieve immediate results.

- b. The key members of the project management team were qualified in terms of academic backgrounds and previous experiences.*

For example, the NPM and RPMs had post-graduate management training and had meaningful and highly relevant work experience related to T&IP before being hired by the project. Except for the NCR Project Manager, they were former officers of the GOP/DTI and previously worked with foreign-assisted donor programs.

- c. Outside of project management, PITO-P and the proponents contracted the services of individual consultants and organizations.*

This enabled PITO-P's training and technical assistance and policy facility components to develop a network of service providers and avail of the services of reputable specialists, experts and organizations for the various PITO-supported activities.

On the other hand, there were areas where project staffing could be improved.

- a. Project staffing was not proportionate to the relative service requirements of the three regional areas.*

The three regional service centers had the same staff complements even as NCR had much more potential beneficiaries than the two regional cities. The share of NCR to total merchandise exports was almost 70% in 1993 while those of the regional cities added up to less than 10%. The even project staff distribution reflected inefficient use of resources as the NCR Regional Service Center could serve only so many beneficiaries while the Davao Regional Service Center had to expand its geographic area to cover more beneficiaries.

- b. *The project staff carried heavy workloads, had frequent overtime work and incompatible functions.*

The project actually required a higher level of effort from the project staff than was thought of in the Project Paper. For instance, the project staff spent considerable hours in assisting prospective proponents in the preparation of proposals and implementation of the projects and in the documentation of project activities. In the NCR, when the RPM became the deputy NPM and focused on the policy facility, the NPM partly covered the NCR RPM position which remained vacant for almost a year.

Further, the project staff often had overtime work to complete their tasks.

Incompatibilities in work responsibilities that may have adversely affected accountability were also present. The *SGV Recipient Contract Audit for Year Ended 1992* (January 1994), for example, reported that the regional service center accountants carried out incompatible duties and functions involving transaction authorization, recording and custody of assets due to the limited number of office staff.

4.3 BUDGET COMMITTEE

The Budget Committee was comprised of the PHILEXPORT Chairman and Chief Operating Officer, the PITO-P NPM and PESO representatives. The Budget Committee was prompted by the need to provide reality checks on the budget requirements of the project up to the PACD. After a slow start and utilization of project funds, PITO-P managers needed to accelerate their T&IP activities so as to fully and effectively utilize the allocated project funds for the achievement of project objectives.

The Budget Committee was useful in ensuring proper disbursement of project funds and rate of disbursement as PITO-P approached the PACD. It monitored the rate at which committed funds were utilized, enabling the project's management to make decisions on the disposition or utilization of slow-moving funding allocations. It reallocated the budget among projects (within components and regions), which benefited the more viable projects or those which had greater chances of utilizing the grant funds.

The Budget Committee programmed funds in a coherent and organized manner which became particularly crucial as the PACD neared. It provided the PIC with information on how fast and where money was being utilized. These information served as inputs to reprogramming of funds to maximize their utilization by PACD.

4.4 PESO/USAID

According to the terms of the Cooperative Agreement, PESO had overall responsibility for monitoring the project implementation. The participation of PESO officers in project implementation was more than ministerial. In the PIC, the non-voting PESO officers actively contributed ideas in the deliberations and advised the other PIC members on the various requirements of the Cooperative Agreement. Their active involvement in the PIC deliberations and subsequent concurrence with the committee resolutions ensured that PITO-P activities were within the terms of the Cooperative Agreement. Their presence in almost all PIC meetings provided continuity of perspective in the treatment of issues throughout the project implementation. PESO's involvement in the project set the standard for the other collaborating organizations.

Aside from its involvement in the PIC, PESO officers participated in the selection of key personnel for the project. The PESO officers had weekly meetings with the NPM to monitor and discuss the project activities and other developments that are likely to impact on PITO-P.

PESO officers cultivated relationships between the PITO-P project management and the USAID offices. In cases when PHILEXPORT and PITO-P needed to be clarified on specific policy issues and procedures, they facilitated the liaison with the relevant USAID offices such as the Office of Financial Management (OFM) and the Contracts Support Office (CSO). The OFM assisted in the preparation of the accounting and financial system for the project and subsequently guided the project staff in the system's implementation. The OFM conducted its regular financial management review of the regional service centers and recommended measures to further improve their financial systems. The CSO also guided PHILEXPORT and the PITO-P in terms of clarifying and verifying specific terms of the Cooperative Agreement. The PITO-P project management found USAID project management and oversight adequate and effective.

CHAPTER FIVE

PITO-P PROJECT IMPLEMENTATION

5.1 FUND ALLOCATION

PITO-P funds were reallocated during the course of the project in response to the perceived needs of the different project components. The perceived needs, in turn, were determined by the number of projects proposed for PITO-P assistance. Hence, PITO-P funds were allocated according to the market's need for T&IP services.

Fund allocation to the different project components was appropriate to the extent that it reallocated the resources from components that were not likely to prosper to the components that were likely to bring significant benefits to the project and its beneficiaries. For instance, funds for brokering and information services, which accounted for over half of the total budget at the start of the project, were shifted to policy analysis and training/technical assistance towards the end of the project.

Fund reallocation was more evident at the regional level where the different levels of resource endowments, infrastructure support, industrial capability and business climate warranted different T&IP strategies. Hence, the Cebu Regional Service Center supported so many training and technical assistance while the Davao Regional Service Center assisted many conversions. The NCR Regional Service Center had a mix of activities, led by policy research and advocacy efforts.

There was no separate budget line on investment promotion, a major project component. This information was crucial in assessing the relative importance of project components. CIPP and DIPP were among the major activities developed under this component.

Table 5-1 PITO-P Fund Allocation, in S 000

Component	Start of Project	End of Project	Variance
Brokering services	2,400.0	1,477.6	-922.4
Information services	2,098.4	1,501.3	-597.1
Policy analysis	1,200.0	1,485.0	285.0
Training/tech. assistance	2,157.0	2,462.8	305.8
TOTAL	7,855.4	6,926.7	-928.7

5.2 REGIONAL SERVICE CENTERS

Manila, Cebu and Davao were selected for PITO-P implementation because they represented the most significant trading centers and had the potentials for significant increases in trade and investment given their natural endowments and infrastructure. In retrospect, Davao was clearly behind Manila and Cebu in training and technical assistance because it did not yet have a well developed manufacturing base. The Davao Regional Service Center however, responded with investment promotion activities which culminated in conduct of the *Davao Investment Promotion Program* and the *Mindanao-East ASEAN Convention on Trade and Investment*. These demonstrated that the regional centers represented areas at different levels of resource endowments, infrastructure support, industrial capability and business climate. Hence, the regional service centers adopted different T&IP activities and strategies.

The NCR Regional Service Center encountered difficulties in the technical assistance and training component in the first two years. This resulted from the absence of a full-time RPM and consequently, inadequate promotional and outreach efforts. The situation improved when the new RPM came in 1992 and promoted PITO-P to various industry associations. The NCR Regional Service Center reached out and accommodated more than 20 project proponents representing a wide range of light manufactured exports. The NCR Regional Service Center was less strict in applying the *cost sharing* and *project reflows* criteria in screening the prospective proponents. As of September 1994, more than 20 of the assisted projects had no *project reflows*. To some extent this led to higher participation rates of member firms in the training and technical assistance activities.

At the same time, the policy facility activities took off successfully. Since then, the NCR Regional Service Center, and the PITO-P to some extent, had been associated by various interest groups with policy research and advocacy efforts.

In Cebu, the RPM had established good relationships with major industry associations during her stint as the Provincial DTI Director of Bohol. The Cebu Regional Service Center successfully implemented the "*programmed approach*" to training and technical assistance. The Cebu Regional Service Center lined up a series of related activities that would build up the export capabilities of the target beneficiaries. The successes demonstrated in the initial activities encouraged the proponents to participate in the succeeding activities.

The Cebu Regional Service Center assisted over 50 training and technical projects. Because of the programmed approach, the training and technical assistance projects in Cebu were focused on a handful of industry proponents: Chamber of Furniture Industry in the Philippines or CFIP, Fashion Accessories Manufacturers and Exporters or FAME, Metalworking Industry Association of the Philippines or MIAP and the Philippine Stonecraft Industry Inc. or PSCII.

The Cebu Regional Service Center focused on priority sectors that were selected based on sector dominance, impact to the economy, potentials for growth, management capability of prospective proponent and the willingness of the proponent to accept PITO-P conditions, among others. The priority sectors were fashion accessories, furniture, gifts, toys and housewares, food processing, light engineering, plastics and packaging materials. The Cebu Regional Service Center was more strict in implementing the cost sharing and project reflows criteria. While this resulted in lower participation rates of member firms in the activities, it generated the highest project reflows among the regional centers. In Cebu, industry associations associated the PITO-P activities to training and technical assistance.

In Davao, it was established that the area did not have the manufacturing base of exporters that would be the primary target beneficiaries. The Davao Regional Service Center responded by networking with the city's key businessmen and the Davao City Council to initiate investment promotion activities. The *Davao Investment Promotion Program* and the *Mindanao-East ASEAN Convention on Trade and Investment Opportunities* successfully generated interest on Davao as an investment area.

5.3 PROJECT IMPLEMENTATION AND FINANCIAL MONITORING

PITO-P evolved operational procedures that were appropriate and efficient. An area of concern however, was project implementation monitoring particularly the management information system (MIS) to ensure effective and efficient project management.

The *Mid-Term Performance Evaluation (1992)* concluded that the project "has no implementation performance reporting system" and that "basic information concerning project activities and accomplishments is largely unavailable". Following the recommendations of the *Mid-Term Performance Evaluation*, PITO-P commissioned a consultant to help set up the needed management information system (MIS) for *Project Implementation and Financial Monitoring*. The recommended MIS covered monthly, quarterly and follow-up monitoring reports on the training and technical assistance, the policy analysis and advocacy and the trade brokerage components.

PITO-P implemented a monthly *Project Implementation and Financial Monitoring* system covering basically the financial aspects i.e., budgeted and actual project cost, cost shares and reflows. But as the volume of activities increased and the project moved towards the PACD, the regional service centers were not able to fully comply with the submission of recommended MIS reports. As a result, the national office needed some time to consolidate the reports from the regional service centers.

Project monitoring and evaluation of the training and technical assistance and the trade and investment promotion activities was undertaken towards the end of the project by external consultants i.e., the Economic Research Group (ERG) and Innovative Consultants Corps of the Philippines (ICON). It could have been better if this follow-up monitoring was carried out by the project management and more than once to check the progress of project performance vis-a-vis the project targets.

Project monitoring by the project's management was applied in the trade brokerage component where the performance targets incorporated the firms' brokered sales, number of transactions and the Benefits-Matrix Points (BMP). The BMP provided a firm basis for project monitoring and evaluation when it described the targeted beneficiaries in terms of number of assets, export market, export product, woman-managed firm, and incremental exports among others. In project implementation, the Cebu-based trade broker BDG-Shemberg established a databank that enabled it to know either "who is buying what from Cebu" and "what are Cebu producers exporting to where".

The financial records i.e., general ledgers, disbursement books, reconciliation books and financial reports, were adequately maintained within the PITO-P national and regional service centers. The different financial audits indicated cases of missing documentation or support materials to some financial transactions. However, these were minimal and not considered a material weakness of the accounting and financial management system.

The evaluation team noted cases of non-compliance with implementing guidelines on accounting and financial management at the regional service centers. The regional service centers were guided by the policies embodied in an accounting manual designed to set up the systems and procedures of the PITO-P. The *USAID Financial Review of Davao Office* (March 1992) reported that the Davao Regional Service Center "generally complied with the procedures outlined in the accounting manual". However, the *USAID Financial Review of Cebu Office* (July 1993) reported that "the manual does not specifically include systems and procedures for its Regional Offices." The review also noted that there were no specific guidelines on what accounting and financial activities could be undertaken at Cebu, and on the level of coordination, monitoring and control necessary in so far as the head office is concerned. As a result, the non-federal audit of (October 1992) reported questionable transactions amounting to P 1,480,000 at the Cebu Regional Service Center.

We understand that the project files comprised of: a project summary sheet, a description of the proponent and its relevant sector, the project proposal, the project output, and a terminal report on the project. The regional service centers kept copies of their project files. During the course of the project, the national office did not keep copies of the Cebu and Davao project files. After the PACD, the project files were shipped to and stored at the PHILEXPORT head office and warehouse.

The Cebu Office was the most systematic and complete in organizing project files. Unlike the other two offices, the Cebu Office updated earlier project files to comply with the report format recommended for the management information system.

Project management devoted close attention to the documentation of the project activities. Additional staff were hired midway through implementation to ensure the proper documentation of project activities.

During the visits of the evaluation team in the three regional centers, project files were generally found to be accessible. The project files (and most of the other materials) in NCR and Cebu were already systematically packed in boxes and ready for shipment and storage at the PHILEXPORT. Cebu closed its office by PACD while NCR moved its office to the PHILEXPORT head office. The evaluation team can not ascertain whether the project files were similarly accessible during the course of the project.

The situation at the Davao Regional Service Center could be closer to normal operations even as it prepared for the Mindanao-East ASEAN Convention on Trade and Investment during the evaluation team's visit. The project files were accessible due to the relatively small number of projects undertaken.

Among the three regional service centers, the Cebu regional service center had the most updated and complete set of project files. Unlike the other two service centers, the Cebu regional service center updated files of earlier projects following the recommended format of the *Project Implementation and Financial Monitoring*.

CHAPTER SIX

PITO-P PROJECT PERFORMANCE

6.1 REVISED LOGICAL FRAMEWORK TARGETS AND RESULTS

The actual performance of PITO-P implementation vis-a-vis the output and end-of-project status or purpose targets set in the PITO-P revised logical framework is summarized in Table 6-1. The target and actual output performance are discussed below.

a. Three operational regional service centers

The Cebu Service Center officially ended operation in September 1994 while the Davao Service Center operation was extended up to December 1994 to complete the *Mindanao-East ASEAN Convention on Trade and Investment*. The NCR Service Center was extended for one year to make up for the one-year vacancy in the Regional Project Manager (RPM) position in the area.

The evaluation team noted the establishment of CIPC and DIPC with initial assistance from PITO-P and support from both the private and public sectors. CIPC and DIPC are managed by former PITO-P management staff and undertake similar T&IP activities as PITO-P. The establishment of CIPC and DIPC after the PITO-P demonstrated the confidence of local business and the government on the potentials of selected T&IP services in the development of private sector trade and investment.

b. \$ 12 million in incremental trade and 3-5 investment facilitated

An objective indicator on incremental exports was the brokered export sales of Pragma-Pil, BDG-Shemberg and CBI-Instrade. Punongbayan and Araullo (September 1992) reported that the three companies brokered about \$ 3.5 million in export sales in their first year of operations. But the contracts of Pragma-Pil and CBI-Instrade were not renewed after the first year while that of BDG-Shemberg was terminated after the second year. The three brokers focused on export opportunities.

Table 6-1. Actual versus Planned Project Outputs and Purpose

<i>TARGET</i>	<i>ACTUAL</i>
OUTPUT	
1. 3 regional service centers operating.	3 regional service centers were established and operated during the project; operation of NCR regional service center extended beyond PACD: CIPC and DIPC established.
2. S 12 million in incremental trade; 3-5 investment facilitated.	Trade brokers made S 3.5 million in incremental exports in first year; the market, training and technical assistance activities supported by PITO-P may have contributed to the above-average growth rate in the exports of certain sub-sectors supported by the project No directly facilitated investment indicated yet, although strong investor interest was observed in project areas.
3. 13 policy studies completed and recommendations forwarded to GOP.	13 PITO-P-managed studies and 47 PHILEXPORT managed policy papers completed and forwarded to GOP.
4. 300 client firms receive technical assistance or training.	More than 450 client firms received technical assistance and training.
END-OF-PROJECT (PURPOSE)	
1. 3 regional service centers providing trade and investment promotion services to a minimum of 150 entrepreneurs annually.	3 regional service centers were established and operated during the project; operation of NCR regional service center extended beyond PACD: CIPC and DIPC established.
2. S 12 million in cumulative incremental exports directly facilitated by project assistance.	Trade brokers made S 3.5 million in incremental exports in first year; the market, training and technical assistance activities supported by PITO-P may have contributed to the above-average growth rate in the exports of certain sub-sectors supported by the project.

Table 6-1. Actual versus Planned Project Outputs and Purpose (continued)

<i>TARGET</i>	<i>ACTUAL</i>
3. 3-5 significant new investment project developed as a result of project assistance in Cebu/Davao.	No directly facilitated investment indicated yet, although strong investor interest was observed in project areas.
4. Improved trade and investment policy environment.	Significant trade and investment policy reforms led to strong economic performance in 1994.
5. Training and technical services institutionalized in PHILEXPORT.	One of PHILEXPORT's services to member firms.

BASIC DATA: REVISED LOGICAL FRAMEWORK, PITO-P REPORTS

PITO-P-assisted sectors included gifts, toys and houseware (GTH), fashion accessories and furniture. In general, the growth rates of these sectors were lower than the national average growth rate for 1990-1993 (see Table 6-2). However, specific subsectors showed above-average growth rates during the period. These sectors included metal and stone furniture (73%), Christmas decor (16%), ceramics and stone ware (23%), toys and dolls (17%) and costume jewelry (20%). Most of these product groups are emerging export products and hence accounted for relatively small shares of total Philippine exports. It is believed that to some extent, the market, training and technical assistance activities of PITO-P contributed to the above average growth rates of these subsectors.

Table 6-2. Philippine Merchandise Exports by Selected Product Groups, in FOB Value \$ Million

Product Group	1990	1993	Growth 1990-93
All Product Groups	8,186	11,375	12
Gifts, toys and houseware	345	398	5
Christmas decor	50	78	16
Ceramics/stoneware	26	48	23
Toys and dolls	24	39	17
Others	244	234	-2
Fashion accessories/ leather goods	248	311	8
Gloves	144	154	2
Costume jewelry	34	60	20
Travelgoods	35	35	0

Table 6-2. Philippine Merchandise Exports by Selected Product Groups, in FOB Value \$ Million (continued)

Product Group	1990	1993	Growth 1990-93
Other accessories	35	62	21
Furniture	189	203	2
Rattan	121	114	-2
Metal	3	13	73
Stone	0	16	a
Other furniture material	66	60	-3
Processed food	248	589	34

a - stone furniture exports reported only by 1992

BASIC DATA: DTI BUREAU OF EXPORT TRADE PROMOTION (BETP)

The Economic Research Group (ERG) conducted and prepared the report *"Monitoring and Impact Assessment of PITO-P Assisted Projects in Cebu"* (September 1994). The major proponents in Cebu were Fashion Accessories Manufacturers and Exporters (FAME) and Chamber of Furniture Industries Foundation (CFIF) which received funding for 27 and 11 training and technical assistance projects, respectively.

The beneficiaries in Cebu which were mostly cottage- and micro-enterprises indicated 10 - 15% increases in sales. By comparison, the value of Cebu gifts, toys and houseware (GTH) exports increased by 8% p.a. while that of furniture exports declined by 4% p.a. in 1990-93. Thus, the PITO-P activities may have helped the GTH beneficiaries to achieve higher sales growth and the furniture beneficiaries to weather the downtrend in sales.

Meanwhile, the Innovative Consultants Corps of the Philippines Inc. (ICON) conducted and prepared the report *"Project Monitoring and Evaluation Report for Training and Technical Assistance Projects"* for the NCR and Davao (July 1994).

In NCR, the beneficiaries of trade fairs and promotional material indicated significant increases in export trade. These activities included *Put Us in the Map of Philippine Exports*, *Market Expansion Program for HOMETEX*, *Nevada USA Trade Fair 1993*, *Brand Development Plan for Banana Chips*, *It's Christmas All Year Long*, *Papel Likhang Kamay III*, and *First National PCHI Congress*. The beneficiaries reported sales increases from 10 % to 400 % and booked sales from \$50,000 to \$300,000.

The evaluation team got no clear indications of investment in Cebu and Davao that were directly facilitated or attributable to PITO-P. However, there were strong investor interest generated in the two areas during the course of the project's implementation. For instance, the BOI-Cebu Office registered 8 new projects costing P33 million in the fashion accessories subsector and 16 new projects amounting to P128 million in the furniture subsector. In the *International Franchising Conference* in NCR, there were two participants reportedly working out franchising agreements. The recently concluded *Mindanao-East ASEAN Convention on Trade and Investment* in Davao resulted to potential investment activities in Mindanao. Finally, the establishment of the Cebu and Davao Investment Promotion Centers after PITO-P is a strong vote of confidence of the private sector on the investment potentials of Cebu and Davao.

c. 13 policy studies completed and recommendations forwarded to GOP

Policy research and advocacy was one of the more successful components of the project. The *PITO-P Managed Policy Research and Advocacy* completed 13 policy studies while the *PHILEXPORT Policy Research and Advocacy Facility* completed 47 long and short policy papers. The project presented the results of policy studies in various policy fora and workshops/seminars. The policy studies and policy papers supported by the project are listed in Annex C.

d. 300 client firms received technical assistance or training.

This target has been achieved by the project. The ERG report for Cebu and ICON reports for NCR and Davao indicated that at least 450 client firms received technical assistance and training. The final figure could be higher as the evaluation covered only activities completed in the first semester of 1994.

Meanwhile, the revised logical framework for the project identified the following end-of-project or purpose targets of PITO-P:

a. Three regional service centers will be providing trade and investment promotion services to a minimum of 150 entrepreneurs annually

The Cebu and Davao service centers ended operations with the PACD. See earlier discussion on project outputs.

b. \$ 12 million in cumulative incremental exports directly facilitated by project assistance

The trade brokerage component generated \$ 3.5 million in incremental exports in the first year of operations. See earlier discussion on project outputs.

- c. *Three to five significant new investment projects developed as a result of project assistance in Cebu/Davao*

There were indications of potential investments arranged in Cebu and Davao. See earlier discussion on project outputs.

- d. *Improved trade and investment policy environment*

The trade and investment policy environment has improved in the last four years. Last year, the country clearly exceeded economic growth targets. International financial magazines *Far East Economic Review* and the *Asiaweek* cited the strong economic performance of the country in 1994. To some extent, the PITO-P policy facility contributed and continues to advocate for improved trade and investment policy environment. The PITO-P managed policy studies "*Framework Plan for the Development of the Philippines Packaging Industry*", "*Improving Access of Philippine Enterprises to Credit at Internationally Competitive Rates*", and "*Enhancing the Investment Climate*" among others, contributed in the resolution of policy issues on VAT for packaging materials, ratification of the Multilateral Investment Guarantee Agreement, the Mining Act, etc.

- e. *Training and technical assistance services institutionalized in PHILEXPORT.*

PHILEXPORT participated in the selection, approval and monitoring of training and technical assistance services through the PIC of the PITO-P. For project implementation, the project established national and regional service centers that coordinated but were separate from PHILEXPORT and its regional chapters.

Training and technical assistance is one of the services offered by PHILEXPORT in coordination with PITO-P. PHILEXPORT was a sub-grantee and proponent for a number of training and technical assistance services. PHILEXPORT supported training and technical assistance such as "*A Guide to Financing Facilities*", "*Project Proposal Workshop*", "*Institutionalizing Total Quality*", "*How to Operate in a Deregulated Environment*", "*Seminar on Patent Protection*" etc. Most of these training and technical assistance services were conducted in NCR. In Cebu and Davao, all the training and technical assistance services were implemented by PITO-P service centers and not by the PHILEXPORT chapters.

6.2 PROJECT BENEFICIARIES

The beneficiaries of PITO-P were private firms and their employees in the three regional project areas. The majority of project beneficiaries were SMEs interested in engaging in new or expanded trade and investment ventures. The project actively sought out smaller firms, including firms that are owned and operated by women, wherever possible.

The target beneficiaries of PITO-P are summarized in Table 6-3 and discussed below.

Due to its wide-ranging impact, the policy research and advocacy component served most of the intended beneficiaries of the project in the three areas. The *PITO-P Policy Research and Advocacy Agenda* (PRAA) assisted key decision- and policy makers in clarifying issues and recommending concrete actions towards the development of policies that were beneficial to the members of the export sector. The *PHILEXPORT Policy Research and Advocacy Facility* complemented the PRAA by informing PHILEXPORT members of the policy issues and encouraging them to participate in the advocacy for economic reforms. In both cases, the ultimate beneficiaries were all the exporters and the various sectors of the economy that benefit from economic reforms that were implemented to promote the development private sector trade and investment.

The investment promotion component also served a wide clientele range. The trade and investment promotion materials, e.g. *Doing Business in the Philippines*, *Primer on Foreign Investment Act 1991*, *Make It Cebu*, *Davao Business and Investors Manual*, were distributed by the PITO-P and the proponents, i.e., GOP/BOI and Cebu and Davao industry associations, to local and foreign business associations, firms, entrepreneurs and government offices. Moreover, the PITO-P offices used these to respond to the inquiries (about 12 a month) on general trade and investment information. Seminars and conferences like *Exporting to the US Through the UL Listing*, *Bar-Coding of Philippine Products for the World Market*, and *How to Operate in a Deregulated Foreign Exchange Environment*, have also been attended by local and foreign participants of different business interests. In general, the project proponents and target beneficiaries were very satisfied with the trade and investment promotion materials.

Table 6-3. PITO-P Components and Beneficiaries

Component	Target Beneficiaries	Remarks
Policy research and advocacy	<ul style="list-style-type: none"> ♦ GOP decision- and policy makers ♦ industry associations ♦ PHILEXPORT members 	Adequately addressed all target beneficiaries
Investment and trade promotion	<ul style="list-style-type: none"> ♦ DTI and affiliated agencies ♦ Embassies and consulates ♦ Local chambers and industry associations 	Focus on foreign investments
Trade brokerage	<ul style="list-style-type: none"> ♦ SMEs ♦ Exporters ♦ Importers 	Focus on SMEs and exporters
CTIS	<ul style="list-style-type: none"> ♦ SMEs ♦ Exporters, importers 	Preference to medium- and large enterprises
Training and technical assistance	<ul style="list-style-type: none"> ♦ SMEs ♦ All project areas ♦ Women in development 	Focus on PHILEXPORT members Focus on priority sectors Focus on strong proponents Did not adequately address other Mindanao cities

In the trade brokerage component, Pragma-Pil, BDG-Shemberg and CBI-Instrade focused on export opportunities. The component could have also addressed the sourcing of cheaper raw materials and capital equipment requirements of local firms.

In the training and technical assistance component, the RPMs focused project assistance on priority sectors. In Cebu and NCR, the identified priority sectors included fashion accessories, processed food, furniture, gift wares, metal industries and stone craft industries. Generally, the priority sectors included resource-based, labor-intensive SMEs and exporters.

Cebu adopted a *programmed approach* to training and technical assistance. Cebu's approach was a very selective and focused. Cebu assisted over 50 projects of four industry proponents namely, the CFIP, Cebu FAME, MIAP and the PSCII. The programmed approach enabled proponents to get assistance on various management and technical aspects of export development. For instance, Cebu FAME received PITO-P

support in the conduct of seminars-workshops on *Goal-Oriented Project Planning, European Trends & Finishing, Production Planning and Control for Exporters and Manufacturers, Rubberwood Processing for the Fashion Accessory Industry* among others.

By contrast, NCR reached out to many more project proponents. NCR also had about 50 assisted projects but covered about 20 industry proponents. Industry associations were assisted in one or two projects compared to a set of projects in Cebu.

In Cebu, the ERG project monitoring and evaluation study covered 28 different projects. Among these projects, 19 or two-thirds had women managers as participants. There was not enough information from the ICON study on the impact of the project on women in development, although there were indications received in the interviews that many of the direct beneficiaries of training and technical assistance activities assisted by PITO-P in the NCR and Davao City were women.

PITO-P tried to reach out to all intended beneficiaries. However, there were indications of intended beneficiaries that were not adequately addressed and impacted.

- a. PHILEXPORT covers only 1,700 members or 24 % of the total number of exporters in 1994. The rest of the exporters, especially the individual SMEs, were not adequately benefited because PITO-P coursed T&IP assistance through the industry associations. In turn, many industry associations limited non-member participation or gave preference to member firms over non-members. PITO-P could have required all proponents to invite non-members to participate in the activities.
- b. PITO-P assistance were focused on exporters although the Cooperative Agreement covered both exporters and importers. There were relatively few T&IP activities like *Bar-Coding RP Products for the World Market* and *The Philippine International Franchise Conference* that promoted importation of goods and capital equipment into the country.
- c. PITO-P assistance was focused on foreign investment especially those that promoted exports although the Cooperative Agreement covered both indigenous and foreign investment. The PITO-P could have addressed the needs of local investors in the service sectors, i.e., tourism, real estate, construction among others.
- d. The Cooperative Agreement was modified in February 1993 to cover other cities of Mindanao where PHILEXPORT has chapter offices i.e., Zamboanga, Cagayan de Oro, General Santos and Iligan. However, the expansion in geographic coverage did not increase the number of T&IP services, particularly in training and technical assistance, to address the T&IP needs of the other Mindanao cities.

- e. In Cebu, the training and technical assistance was focused to few priority sectors. Aside from the potential for growth of the sectors, the willingness and capability of the prospective industry proponent to manage projects were crucial factors in the selection of priority sectors. This precluded exporters and SMEs that were members of weak industry associations from availing of PITO-P assistance.

6.3 PROJECT COMPONENTS

Policy Analysis and Advocacy

The policy analysis and advocacy component of PITO-P enjoyed substantial success in contributing to the process for bringing about reforms in the policy and regulatory environments for trade and investments in the Philippines. This success may be attributed in part to the appropriateness of the policy issues identified by PITO-P for analysis and advocacy. These issues were deemed appropriate because of the following:

- **The policy issues addressed were consistent with the PITO-P's overall objective of fostering trade and investments in the country.** All the policy issues tackled by PITO-P were considered appropriate on the basis of this standard. Among the most important issues addressed by this component was the enhancement of the investment climate in the Philippines, a broad subject that covered several important topics pertinent to the promotion of investments. These included foreign equity participation in domestic economic activities, grant of incentives to preferred projects, and infrastructure development.
- **The policy issues were relevant and timely.** PITO-P initially utilized a reactive approach in determining the issues that would be addressed by its policy component. As PITO-P progressed, however, the Project decided to adopt a more pro-active stance in identifying issues for policy analysis and advocacy. Policy issues were identified through a consultation process that involved the drawing of inputs from the business community, the government sector and the academe. This consultative process enabled the Project to identify policy issues that were relevant and timely.

For example, the choice of regional trading arrangements as an issue for policy research and advocacy coincided with the implementation of AFTA at the beginning of 1994 and was therefore very timely and relevant. In fact, the policy analysis and advocacy materials produced by PHILEXPORT on AFTA were used as external reference materials by the AFTA Advisory Commission and served as inputs to the Commission's decision making processes pertaining to Philippine participation in AFTA and in efforts to generate awareness among the concerned sectors on the regional trading arrangement. As the rapid actualization of AFTA is now being discussed, Philippine position on the matter needs to be firmed up. PHILEXPORT-published materials could be used as inputs in the formulation of the country's position.

Another relevant issue tackled by the policy component of PITO-P was Intellectual Property Rights (IPRs). Its analysis by PHILEXPORT came at a time when concern for IPR protection became very pronounced worldwide, specially among developed countries such as the United States. The issue was very real and pertinent on the part of the Philippines as the country was being considered for the imposition of penalty by the United States due to alleged violations of IPRs.

The choice of the General Agreement on Tariffs and Trade (GATT) as an issue for policy advocacy was also very relevant as it came at a time when the Philippine Senate was considering the ratification of the treaty. PITO-P's policy advocacy on this issue enlightened the public on the merits of GATT and the advantages that its ratification would provide to the Philippines.

- **The policy issues lent themselves to being addressed by policy measures that could realistically be introduced and implemented.** The issues identified could be addressed by policy measures that were doable and implementable and within the capability of the policy making system to introduce and undertake. PITO-P funding support was provided for analysis and advocacy of issues where actual policy reforms could realistically be done within the near- or medium-term.

The recent years have been marked by the introduction and implementation by the government of a series of policy reforms to liberalize and deregulate the economy. Among the more significant of these reforms included tariff reform, liberalization of the entry of foreign investments, foreign exchange liberalization and banking sector liberalization. This trend was made possible by a confluence of factors. One of these factors could be the greater consciousness engendered by the PITO-P's policy component among advocates for economic reforms and the policy makers themselves. At the very least, PITO-P's policy component had the following impact on influencing policy/regulatory reform. The policy component:

- Clarified policy issues by providing the fora for discussion that brought advocates and policy makers together and clarified the issues presented; and
- Concretized ideas/concepts into actual proposals for consideration by policy makers.

During the course of the Project's implementation, the government had introduced or seriously contemplated to adopt a number of important trade- and investment-related measures addressing the policy issues that the PITO-P tackled for analysis and advocacy. Although the consideration and/or introduction of these measures may not be directly attributed or credited to the policy component of PITO-P itself, it is fair to say that the Project contributed to laying the groundwork for the consideration or adoption of some of these measures by creating awareness, clarifying issues and concretizing ideas. Further, the fact that there had been actual or planned government action on the issues is by itself a credit to PITO-P if only because it indicated the

appropriateness of the issues the Project identified for policy analysis and advocacy. It implied that PITO-P chose to address issues that the government felt important enough to deserve the introduction or consideration of certain reforms or measures. Examples are cited below:

- Enhancing the Investment Climate
 - ⇒ Senate Resolution No. 669 concurring with the ratification of the Multilateral Investment Guarantee Agreement
 - ⇒ Approval of House Bill No. 10816 and filing of Senate Bill No. 1375 on the proposed Mining Act
 - ⇒ House Bill reducing the minimum paid-in capitalization from \$500,000 to \$150,000 that foreign companies have to comply with to serve the domestic market
 - ⇒ Issuance of DTI Memorandum Order No. 136 streamlining the BOI and making it more promotional
- Improving Access of Philippine Enterprises to Credit
 - ⇒ PITO-P's report on this issue was extensively discussed in connection with the deliberations leading to the enactment of Republic Act No. 7721 on banking industry liberalization.
 - ⇒ Further liberalization of access to Foreign Currency Deposit Unit accounts
 - ⇒ Senate Bill No. 1493 providing for the merger of Philguarantee and the Guarantee Fund for Small and Medium Enterprises

The PITO-P policy facility also supported advocacy for policy reforms in the economy by providing funding to the PHILEXPORT PRAF which was directly implemented by the said organization. Activities under the PHILEXPORT PRAF was constituent-oriented in which the issues tackled had a direct impact or bearing on the interests of the member-organizations. The process for selecting the topics or subjects taken up by this facility was consultative in nature in which the member-organizations participated by providing recommendations and other inputs. Final screening and selection of these issues were done by the PIC.

PHILEXPORT Informs was one of the activities of the organization that received PITO-P funding under the project's policy component. PHILEXPORT Informs' main objective was to keep members informed about issues affecting exports. It also served as a channel for the dissemination to member-firms of the results of studies conducted under PITO-P's policy component.

The PHILEXPORT President's letter transmitting/accompanying the information materials distributed among the members comprised a very important component of the PHILEXPORT Informs exercise. The letter apprised members of issues affecting exports in the Philippines and the corresponding position that the organization took relative to

those issues. PHILEXPORT had to be pro-active in searching for issues to address to ensure that PHILEXPORT Informs, being a regular information dissemination exercise, continued to be relevant to its members. The exercise encouraged PHILEXPORT to be active in scanning the environment and stimulated the thinking processes of its leadership in drawing up appropriate responses/positions addressing issues impacting on exports.

As an advocacy exercise, PHILEXPORT Informs could have been more effective had a feedback mechanism been incorporated to make the program a two-way communication process between the organization's leadership and the membership. The lack of this feedback mechanism also made it difficult to assess the impact the program had on PHILEXPORT's membership.

PHILEXPORT Informs received funding amounting to P2.396 million for the first twelve (12) issues. The activity's cash requirements were funded purely out of PITO-P grant funds. Counterpart funding was not required from PHILEXPORT for the exercise as the organization was, strictly speaking, not a project proponent. The provision of counterpart funding by the organization, however, may have made the project more cost-effective on the part of PITO-P and may have also enhanced its sustainability even after the expiration of outside funding. Further, counterpart funding would have enabled PHILEXPORT to develop a stake in, and a stronger sense of ownership over, the project. We note, however, that PHILEXPORT contributed to the project in kind, in the form of the services rendered by its staff in the distribution of the publication.

CTIS

The CTIS can be a valuable tool in facilitating export-import trade which eventually can be linked with similar international data bases. The evaluation team believes that the CTIS project implementation focused too much on the technology aspect of the project, sidelining the ultimate objective of providing up-to-date and reliable trade- and investment-related information to the business sector. Instead of immediately pursuing a computerized network, the CTIS project should have been carried out in phases starting with the compilation of basic business and economic information. Initially, the needed information could be disseminated in hard copies as pre-formatted tables with annotations or written analyses. This would give PITO-P lead time to test the needs of users and build up its capability in information technology. With this experience, PITO-P could then gradually build up its data base and enhance the capability of the system.

Trade Brokerage

The trade brokerage sub-component was an experimental, transaction-based brokerage service that was extended to prospective and existing exporters to assist them in finding and developing new markets overseas. The decisions to abort the implementation of the trade brokerage project in Manila and Davao after the first year due to non-delivery of agreed-upon outputs were prudent and timely given the need to

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minimize losses that were brought about by non-performance on the part of the contractors concerned. Although the Cebu brokerage performed relatively well, the project's management deemed it proper not to renew the contract after the second year.

Yields from the project could have been greater had its design been made differently. Instead of outright grants, for example, PITO-P, through PHILEXPORT should have entered into joint ventures with qualified firms to do the trade brokerage activities. This would have enabled the partner to have a stake in the project and work for its success by delivering on what were expected of it.

Further, greater results could have been achieved in this component had an information campaign on the value and use of the trade brokerage been conducted before the start of the activity among the prospective beneficiaries/users of the service. A higher level of awareness of trade brokerage services among prospective beneficiaries/users may have encouraged them to use these services to their advantage.

The issue of needs assessment was relevant in the implementation of the trade brokerage component. Davao was probably not ready yet for the concept of a trade brokerage. A needs assessment study would have indicated that a trade brokerage had limited chances of success in Davao given the limited variety and volume of manufactured goods that may be coursed through a trade broker.

CHAPTER SEVEN

PRINCIPAL ACCOMPLISHMENTS AND SHORTCOMINGS OF PROJECT IMPLEMENTATION

PITO-P represented a strategic T&IP exercise. Its implementation during the four years of the project's life was marked by a host of remarkable accomplishments that may be credited to the people who ran it. As in any major T&IP effort, however, PITO-P's implementation had its own share of shortcomings.

7.1 PRINCIPAL ACCOMPLISHMENTS

Among the principal accomplishments of project implementation included:

- The project's implementation contributed to building up the capabilities of local resources in managing donor-assisted T&IP projects. An important feature of the implementation of PITO-P was that it tapped local staff to manage different PITO-P activities.
- The policy analysis and advocacy efforts facilitated the development of PHILEXPORT as the advocate of exporters in the country. As mentioned earlier, the overall impact of the project's policy component on PHILEXPORT is that PHILEXPORT as an organization representing the export sector has been able to significantly enhance its influence on government to advocate policy reforms that bear on export development. Through PITO-P, PHILEXPORT has been able to keep consciousness on policy concerns alive.
- The project's implementation was characterized by flexibility in seeking to address the needs of the project areas. It was able to adapt to the specific situations in the project areas and to the special requirements of promoting trade and investments in the regions involved. For example, project managers at the regional level were given the flexibility to devise their own criteria in evaluating activities being applied for funding support for as long as they fall within the broad guidelines established by the PIC. Further, funding allocations among the PITO-P components evolved over the course of project implementation to enable the project to respond to actual needs as they were recognized.
- The project was able to engage the PIC effectively and productively. The PIC participated actively in the evaluation of projects that were proposed for PITO-P funding. The project benefited significantly from the useful insights provided by PIC members on T&IP. In several instances, the project also tapped into the wide and varied networks in the business and political communities of the PIC members both in the Philippines and abroad in order to address certain issues pertinent to the implementation of the project.

- The project utilized the market mechanism in the delivery of T&IP services. The project introduced the concepts of "cost-sharing" and "fee for service" among project proponents and beneficiaries, respectively. This enhanced the project proponents' sense of ownership of the projects, and enabled beneficiaries to appreciate the value of the services provided to them under the project.

7.1 PRINCIPAL SHORTCOMINGS

Meanwhile, among the major shortcomings of the project included:

- An initial diagnosis and assessment of the real needs of the project areas should have been done prior to actual implementation to set the tone/priorities for the project in the regions involved. The needs were often recognized as the project was being implemented, necessitating changes in focus and thrusts midway. The need to highlight on image-building in Davao, for example, could have been addressed right away had a needs assessment exercise been undertaken prior to the implementation of the project. Corrolarily, the anemic performance of the training and technical assistance component in Davao could have been foreseen had the said assessment been undertaken before actual implementation.

The lack of a prior diagnostics effort may have caused some delay in the project's implementation as it was not immediately attuned or ready for the specific requirements of the project areas. One manifestation of this situation was the slow take-out of project funds in the initial years of PITO-P's implementation. Needs assessment could have been undertaken through strategizing sessions among the concerned sectors. Another alternative would have been to pilot project components in the three areas and assess their acceptance, rate of absorption and impact on trade and investments. Such efforts would have found out what project management "discovered" during the course of project implementation, namely: that NCR should concentrate on policy research and advocacy; Cebu on training and technical assistance; and Davao on image building and investment promotion. It is a credit to project management that it had been able to address the requirements of the three areas effectively during the implementation of the project even without the benefit of the needs assessment exercise discussed above.

- Institution-building among project proponents should have been addressed as an integral part of the project's implementation. Some project proponents were not prepared enough to take advantage of the opportunities presented by funding support made available by PITO-P. Some industry associations, for example, were not fully geared to implement projects as they did not have the necessary expertise and organization skills. An indication of this situation was the slow take-out of project funds in the initial years of the project's implementation.

- As originally designed, the project was very selective in its outreach and communication efforts which were addressed only to the project's focus groups/areas. As a result, some sectors of the community outside of the direct "audience" of the project were not fully aware of PITO-P activities. In Davao City, this lack of awareness left the project open to politically motivated charges concerning the utilization of City government funds in collaborative undertakings of the project with the local government unit such as the Invest-in-Davao project. In the NCR and Cebu, misinformed prospective proponents submitted proposals that obviously would not qualify. A lot of valuable management time was spent explaining to these proponents the rationale of the project and why their proposals would not be eligible for PITO-P funding. Some of the proponents that were denied funding support were sometimes left disgruntled, creating disappointment toward the project.

CHAPTER EIGHT

CONCLUSIONS

8.1 LESSONS LEARNED IN PROJECT IMPLEMENTATION

The need for an initial diagnostic study of the requirements of the Project areas could serve as an important lesson that may be applied to future project design efforts. Such a study would set the priorities and directions for a future project before it is actually implemented as opposed to introducing changes in focus and thrusts midway through implementation. The conduct of a needs assessment exercise would help project managers determine early on what relevant activities should be undertaken to ensure that the needs of the assisted sectors are fully addressed.

The needs of the assisted sectors could be assessed through the conduct of a strategizing exercise involving all the sectors concerned, the fielding of fact-finding missions, or by piloting a small version of the project to determine its acceptance among the assisted groups, the readiness of these groups to absorb assistance and the impact that the project would have on specified objectives.

Another lesson that could be learned from the implementation of PITO-P is the need to address in the implementation of a future project an effort to build up the capabilities of the assisted proponents in availing themselves of the assistance to be extended by the project, particularly in training and technical assistance projects. Without such an effort, prospective beneficiaries would be unable to take full advantage of the opportunities being presented by the projects. Given their limited capabilities, some targeted sectors would not be able to package activities that will qualify for assistance. Those able to avail themselves of assistance may not necessarily be prepared to implement the activities that they proposed and absorb the assistance provided. In this situation, prospective beneficiaries need to enhance their organizational and institutional capabilities in order to improve the implementation of assisted activities.

Another area where lessons could be learned from PITO-P implementation is outreach and communication. Aside from its direct "audience", the other members of the community had limited knowledge of PITO-P and its rationale. To many, PITO-P represented grant funds that could be sourced for use in supporting certain activities. This limited idea on what qualified for PITO-P funding led to the submission of ineligible proposals which were subsequently denied. This situation led to frustration on the part of the proponents who were denied funding, leading to disappointment toward PITO-P among some sectors. Future project design efforts should give attention to the need for information dissemination to create or enhance understanding of what the projects are, the objectives that they strive to accomplish, and what assistance can be made available under the projects. The RPMs explained in interviews that they had to exert extra efforts to explain to proponents as part of their role to screen projects why some projects would not qualify for PITO-P funding.

Physical integration of the project and grantee in the same office premises should ideally be encouraged, if not required. Due to the uncertain status of PHILEXPORT's tenure in its former office at the start of the PITO-P, Project management decided to establish its own office in a different location. Physical integration would have enabled PITO-P to benefit from PHILEXPORT resources that were supposed to be contributed by the organization to the Project as implementing entity, such as the services of PHILEXPORT staff, office furniture and office space. Physical integration would have also contributed to enhancing ownership by PHILEXPORT of PITO-P. Ownership by the grantee of a donor-assisted project is an important factor that enhances the sustainability of that project, even after the expiration of outside assistance.

Other lessons learned during the course of project implementation that may be applied to future project design efforts include the following:

- a. The Project had several substantial T&IP elements, including the innovative trade brokerage and computerized trade information service. This situation made project implementation relatively complicated and difficult. Implementing some of the components, particularly the innovative ones, as separate projects could have focused resources and efforts and improved the success rate of these components.
- b. The Project tapped a private sector organization as grantee and implementing entity as opposed to a government agency. This allowed the Project to benefit from the flexibilities offered by a private organization which does not have to contend with the rules and regulations guiding government agency operations.
- c. The Project tapped and networked with local resources for project implementation, contributing to the development of local expertise and competencies in T&IP project management.
- d. The PHILEXPORT PRAF allowed PHILEXPORT adequate elbow room and flexibility in undertaking policy research and advocacy activities. Project grantees are usually more enthusiastic when given the flexibility to undertake activities on their own.
- e. Close coordination among participating organizations, including government agencies, was a crucial factor in project implementation. At least, the different sectors must be clear on the roles they have to play in the project.
- f. The "cost-sharing" and "project reflows" introduced the project proponents and the beneficiaries to a market mechanism in the delivery of T&IP services. If the industry associations would be the primary proponents of T&IP activities, they should share not only in the costs but also in the benefits (i.e.,

project reflows). Future projects could consider giving part of the reflows to industry associations.

- g. A regular internal project monitoring and evaluation system would have enabled project management to see the progress of the project activities with respect to the various project objectives. There would be a need to set appropriate indicators for project monitoring.

8.2 PROJECT COMPONENTS THAT SHOULD BE EXTENDED

The policy research and advocacy component should be continued even after the PACD because of the following:

- Among the Project components, policy research and advocacy had, and continues to have, the greatest potential for generating impact on trade and investment. Considering the range of application and effectiveness of policy reforms, the potential impact on trade and investment of policy research and advocacy is more widespread than that of either training and technical assistance or direct promotional activities.
- A number of important trade- and investment-related policy reforms still need to be implemented, including the following, among others:
 - ⇒ Opening up of retail trade to foreigners;
 - ⇒ Further liberalizing the entry of foreign investments in the country, including the reduction from \$500,000 to \$150,000 the minimum paid-in capital that foreign companies have to maintain to serve the domestic market;
 - ⇒ Relaxing the regulations governing the ownership of land by foreigners, including the horizontal application of the condominium law;
 - ⇒ Further implementation of tariff reform, including the adoption of a successor program to Executive Order No. 470; and
 - ⇒ Restructuring the investment incentives system, including the introduction of accelerated depreciation and net loss carry-over under the National Internal Revenue Code.

Additional reforms would send correct signals to investors, both local and foreign, that Philippines is definitely back in business and this would contribute to sustaining economic growth.

- There is a strong momentum for change as the mood among policy makers is susceptible for reform. Advocacy would be effective at this time as their chances of success are good given the susceptibility and openness of policy makers to reform.
- Policy reforms would be more acceptable at this time when the economy is growing, particularly to sectors that would be adversely affected. Negative, short-

term impact on certain sectors will not be as widely felt when business conditions are favorable.

- Advocacy would be effective at this time when the economy is growing as the economy's recent positive performance can be cited as proof of the favorable impact that reform measures have engendered.

On the question of sustainability, it should be stressed that policy analysis and advocacy is an inherent function of any interest/lobby group such as PHILEXPORT. On its own the organization should sustain the practice. Through the Project's policy component, PITO-P has helped create consciousness and awareness among PHILEXPORT members of the importance of policy advocacy. PHILEXPORT should be ready to pursue further what PITO-P has started. To be able to sustain this important activity, PHILEXPORT should do the following:

- It should be able to support the funding requirements of this activity from membership dues and other fees and assessments. PHILEXPORT should clearly and effectively communicate to its members the importance of this undertaking and the necessity to provide funding for policy analysis and advocacy.
- It should broaden and strengthen tie-ups with other business-related organizations such as PCCI in policy analysis and advocacy to avoid duplication of efforts and to maximize use of resources.

Further, the provision of services to exporters or investors, for a fee, should be continued. These services should be designed to improve the competitiveness of exporters, and to facilitate the making of investments and doing business in the Philippines by investors. The needs of exporters and investors should first be identified in a diagnostics exercise to ascertain what services should be provided and in what form. The concept of fee for service should be retained not only to ensure sustainability but also to foster among beneficiaries an appreciation of the value of the assistance being extended to them.

Finally, investment promotion should also be considered for continuation. This component would have a very good potential for generating results in terms of investments "on the ground" at this time given the favorable investment climate.

ANNEX A

GUIDE QUESTIONS FOR END-OF-PROJECT EVALUATION

1. How does the design of PITO-P compare or contrast with AID or other donor efforts to promote trade and investment in developing countries ? Which, if any, features of PITO-P are innovative or unique ? Is the project design appropriate for the achievement of its stated objectives ?
2. In retrospect, was the selection of PHILEXPORT as the project grantee and implementing agency appropriate ? How has PHILEXPORT benefited from the project ? What impact has the policy facility had on PHILEXPORT's advocacy role ? How is PHILEXPORT positioned within the universe of business associations after PITO-P and to what extent has the project contributed to PHILEXPORT's evolution as an organization since September 1990 ?
3. Was the Project Implementation Committee (PIC) and its composition appropriate and beneficial to the achievement of project objectives ? Did the project adequately and effectively engage the PIC members, both individually and collectively, in the course of project implementation ?
4. Was the project appropriately staffed and managed ?
5. Was the Budget Committee useful in ensuring proper disbursement of project funds and rate of disbursement ?
6. Were the funds appropriately allocated to each project component ?
7. How did PESO contribute to project implementation ? Was USAID project management and oversight adequate/effective ? Have the Office of Financial Management (OFM) and the Contracts Support Office (CSO) provided sufficient guidance to PHILEXPORT and PITO-P staff ?
8. Were the project operational procedures appropriate and efficient ?
9. Were the financial records adequately maintained within PITO-P offices ? Are project files accessible and complete ?
10. Was the choice of Manila, Cebu and Davao for PITO-P implementation appropriate ? How was the project perceived by different interest groups in Manila, Cebu and Davao ? Have project promotional and outreach efforts been effective/adequate ?

11. What has been the actual versus planned progress toward the outputs, and purpose of the project ? What groups have benefited from project interventions ? To what extent ? What intended beneficiaries have not been adequately impacted, if any ? Has the role of women in trade and investment activities been enhanced as a result of the project ?
12. What revenue streams did the project engender for the grantee? How have financial reflows been generated, monitored or reprogrammed, to date?
13. Were the policy issues identified by PITO/P for analysis/advocacy efforts appropriate for funding support? What impact, if any, has the project had in influencing appropriate policy/regulatory reform? Was the process by which policy issues are identified appropriate and effective?
14. How has the policy facility benefitted PHILEXPORT?
15. Has the PHILEXPORT Informs benefitted the organization and its members? Has it been cost effective?
16. What were the principal accomplishments/shortcomings of project implementation? How could project implementation have been improved?
17. What lessons have been learned during the course of project implementation that may be applied to future project design efforts?
18. Which project components should be continued after PACD? What modifications in their features could be introduced to enhance their sustainability?
19. Could the Computerized Trade Information Service (CTIS) be modified to achieve more benefit for PHILEXPORT or its constituent members? Were decisions concerning this component taken in a prudent and timely manner?
20. Were decisions concerning the project-supported trade brokerage operations taken in a prudent and timely manner? How could this component have been managed to yield greater results?

ANNEX B

PERSONS CONTACTED FOR EVALUATION

Name	Designation	Association
NCR		
Sergio Ortiz-Luis Jr.	PIC Chairman, President	PITO-P, PHILEXPORT
Ruben J. Pascual	EVP, COO	PHILEXPORT
Philip James Gielczyk	PIC member, Country Director	US -ASEAN Council for Business and Technology
Wilhelm G. Ortaliz	National Manager	PITO-P National
Raul E. Bandera	Deputy Manager	PITO-P National
Edith Manguera-Jorvina	Administrative/Finance Officer	PITO-P National
Myrna V. Ybanez	Executive Assistant	PITO-P National
Katrina B. Sanvictores	Regional Manager	PITO-P NCR
Gerarado Anigan	Former Deputy Manager	PITO-P National
Bradley P. Wallach	Deputy Chief	PESO/USAID
Manny M. Villanueva	Project Officer	PESO/USAID
August Maffry Jr.	PIC Member, Commercial Counselor	US Foreign Commercial Service
Gloria M. Arrovo	Senator	Senate Economic Affairs
Margarito Teves	Congressman	House Economic Affairs
CEBU		
Floretta S. Del Fierro	Regional Manager	PITO-P Cebu
Glocel Ortega	Accountant	PITO-P Cebu
Roberto A. Varquez	Executive Director	PHILEXPORT - Cebu
Alberto T. Gumarao	Acting Regional Director	DTI - Cebu Regional Office
Virgilio delos Reyes	Officer-in-Charge	BOI/DTI Davao Extension
Joel Mari S. Yu	Former Regional Director, Consultant	DTI - Cebu Regional Office PHILEXPORT, Cebu
Hernando O. Streegan	President	Cebu Chamber of Commerce and Industry
Gerry Sta. Ana	Former President	Cebu Chamber of Commerce and Industry
Marilou R. Canizares	President, Clique International Inc.	Cebu FAME
Joyce Natalie Yang	President, Aquarose Industries	Cebu FAME

Clarito F. Fruelda	President, Clarson Enterprises	Cebu Furniture Industries Foundation, Inc
Jean Ugali	Executive Director	Gifts, Toys and Housewares
Jose Morales	President	Metal Industries Association of the Philippines - Cebu
Sidney D. Go	President, Cargill International Inc.	Philippine Stonecraft Industries - Cebu
DAVAO		
Syvelyn J. Tan	Regional Manager	PITO-P Davao
Lydia Tenebro	Accountant	PITO-P Davao
Raymundo R. Segura	Chairman	PHILEXPORT, Davao
Rodrigo R. Duterte	Mayor, Chairman	Davao City Invest in Davao
Elaine P. Aviola	Technical Assistant	PITO-P Davao
Roberto Ma. R. Arquiza	Assistant Project Manager	Invest in Davao
Christine P. Rizado	Senior Investment Promotion Officer	Invest in Davao
Paul Dominguez	Presidential Adviser, Mindanao	GOP
Merly M. Cruz	Regional Director	DTI - XI Regional Office
Joji Bian-Ilagan	President	Davao Chamber of Commerce and Industries
Jesus V. Ayala	Chairman	Regional Development Council, Region XI

ANNEX C

PITO-P POLICY RESEARCH AND ADVOCACY STUDIES

A. PITO-P MANAGED POLICY RESEARCH AND ADVOCACY AGENDA	
Assessment of the Impact of Opening the Retail Trade Sector to Foreign Investment	Andersen Consulting
Comparative Study on Investment Promotion Efforts of ASEAN Countries and Other Selected Developing Countries	DAI
Enhancing the Investment Climate	AYC Consultants
Framework Plan for the Development of the Philippines Packaging Industry	Andersen Consulting
Free the Airways Issue Paper	
Improving Access of Philippine Enterprises to Appropriate Technology	
Improving Access of Philippine Enterprises to Credit at Internationally Competitive Rates	Andersen Consulting
Improving Adjudication Procedures for the Resolution of Intellectual Property Rights Cases	SRI International
Improving the Policy Climate for Industrial Subcontracting	ECOP
Industry Profiles for Sectors of Interest to American Investors	Center for Research and Communication
Mindanao Power Crisis: Impact on Mindanao Exports	Northern Mindanao Development Bank
Optimizing Philippine Gains from Regional Trade Arrangements	SRI International
Viability Study on the Mindanao-EAST ASEAN Convention on Trade and Investment	Primus Konsult
SUB-TOTAL - 13	
B. POLICY RESEARCH AND ADVOCACY FACILITY 1	
Advocacy Guidebook	Consumido, Danilo
Advocacy in the Light of Privatizing some DTI Export Functions	Primus Konsult
China's Economic Boom: Challenges for the Philippines.	Velasco, Renato
Economic Reconstruction & the Progressive Sharing of Pains Gain: Policy Framework (Safety Nets and their Financing For Economic Reconstruction)	Fabella, Raul

Economic Transformation of Vietnam	Marasigan, Michael
Efficiency and Competitiveness: The Role of Foreign Exchange Rate	Fabella, Raul
Exports and Development Strategy Experience and Issues	De Dios, Emmanuel
How the Remaining Monopolies Affect Phil. Exports	Velasco, Renato
Inflationary Effects of a Peso Depreciation (Exchange Adjustments in the Birthing of the Dragons)	Fabella, Raul
Japan's Trade and Investment Policy (How Japan's Exports Grew So Fast)	Tecson, Gwendolyn
Labor and the Development Task: the Need for Sial Pact	Paderanga, Cayetano
Managing Post-Devaluation Inflation and the Rate of Labor	Fabella, Raul
Monetary and Credit Policies: Analysis of Interest Rates and Its Impact on Exports	De Dios, Emmanuel
Policy Paper on Exports & Foreign Exchange	De Dios, Emmanuel
Prescribing Guidelines: Governing Powers of Cities and Municipalities	Flores, Florecita
Public Expenditures and its Effects on Monetary Ceilings and Interest Rates	Diokno, Benjamin
Strategic Directions for the Philippine Cutflower Industry	Dy, Rolando
Structural Adjustment Policies & the Role of Tax Reform	Diokno, Benjamin
Study on Import Valuation	Medalla, Erlinda
Sugar Importation Issue	Clemente, Alejandro
Taiwan: Challenges and Non-Response	Fabella, Raul
The ASEAN Free Trade Area: Implications on Philippine Trade and Industrial Policy	Bautista, Carlos
The Case for Extending Investment Incentives to Non-BOI Registered Companies in the Philippines	Panganiban, Leah
The Role of Media in Export Promotion	Villavicencio-Paurom, Ruby
VAT on Packaging Materials of Export Products	Flores, Florecita
VAT Refinements: Legislation of International Competitiveness	Flores, Florecita
Where Did We Go Wrong? Lessons from the Philippine Development Experience	Paderanga, Cayetano
SUB-TOTAL - 27	
C. POLICY RESEARCH AND ADVOCACY FACILITY 2	
A Study of the Implication to Exporters of the Expanded VAT	Flores, Florecita
Abolition of the Advance Payment of Duties	Flores, Florecita
An Export Dollar Withholding Scheme: An Assessment	Fabella, Raul

Attaining Competitive Advantage in Export Through Technology	Panganiban, Leah
Capital Market Liberalization and the Floating Peso	Fabella, Raul
Cheap Dollar Time Bomb	Fabella, Raul
Customs Valuation Alternatives	Alano, Bienvenido
Draft Procedure for the Accreditation of Non-BOI Registered Exporters	Flores, Florecita
Exemption of EPZA-Registered from Value-Added Tax	Flores, Florecita
Export-related Issues of Local Taxation under the Local Government Code (RA 7160)	Flores, Florecita
Feasibility of Allowing Tax Credit & Duty Drawback for Imported Inputs Used in Manufacture & Packaging Materials	Flores, Florecita
Impact of the Peso Appreciation on the Economy	Philippine Research Centre (HK), Ltd.
Policy Study on Shrimp Industry	Alto Business Ventures
Productivity-based Pay	Amante, Maragtas
Removal of Gross Receipts Tax	Diokno, Benjamin
Study to Develop an Incentive Scheme to Increase Commodity Exports	Strategic Business Economics & Consulting Group, Inc.
Tariff Rationalization for the Export Industry	Medalla, Erlinda
The Politics of Industrial Renewal in the Export Industry	Teodisio, Virginia
The Role of Food Exports in Thailand's Export Drive	Luna, Noel De
US Nutritional Labeling and Education Act of 1990	Ortiz-Luis, Ma. Lourdes
SUB-TOTAL - 20	
* Per agreement with PHILEXPORT and the consultants dated 23 August 1994, completion of outstanding papers will be based on the submission of a consolidated report entitled "The Unfinished Agenda"	
** Contract price is P50,000.00 but only half was paid by PITO-P (other half paid thru reflows).	
*** Paper unfinished as of LOP of PITO-P, half of the contract price of P20,000 was released	